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COMMERCIAL SOLVENTS CORPORATION

STATEMENT BY THE PRESIDENT
YEAR 1920

TERRE HAUTE, IND., FEBRUARY 3RD, 1921

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STATEMENT BY THE PRESIDENT.

TO THE DIRECTORS:

Your Company ended its first fiscal year on December 31st, 1920.

Manufacturing began in its Plant at Terre Haute on April 1st, 1920, initial shipments were made in the following month and four million five hundred fifty-five thousand seven hundred and five pounds of finished solvents were manufactured during the fiscal year.

The usual difficulties incidental to the development of a new enterprise have been encountered. Costs were high at the start, but have steadily decreased. Your Company's Auditors, Messrs. Ernst & Ernst, state in their audit report: "We cite for your attention Memorandum Cost Information Schedule attached, which reflects a gradual lowering of manufacturing costs, which is due to the installation of more modern and scientific production methods." This Memorandum records a reduction of thirty per cent. in costs for the month of December over the month of May, and an average reduction of twenty-two per cent. in the last half of the operations period over the first half.

Depreciation in the value of all materials during the last quarter of the year affected adversely the earnings of your Company. A slight monthly loss at the beginning of operations was turned into a profit in October, but the gain was checked by current business conditions, and the year closed with a deficit from operations of $30,750.44 before providing for inventory reductions, depreciations and dividends.

In the period under review a substantial percentage of products was sold to the following concerns:

E. I. Du Pont de Nemours & Co., Parlin, New Jersey.
Richards & Co., Stamford, Conn.
Maas & Waldstein Co., North Newark, New Jersey.
Organic Research Co., Ltd., London, Eng.
Anderson Chemical Co., Passaic, New Jersey.
Charles R. Sargent Co., Chicago, Ill.
Van Schaack Bros. Chem. Wks., Chicago, Ill.
G. J. Nikolas & Co., Chicago, Ill.
Prest-O-Lite Co., Inc., Speedway, Ind.
Chlorine Products Co., Niagara Falls, N. Y.
Celluloid Co., Newark, New Jersey.
Pierce & Stevens, Buffalo, N. Y.
Hercules Powder Co., Lake Junction, New Jersey.
Monsanto Chem. Wks., St. Louis, Mo.
Tingle Oil Co., Kansas City, Mo.
Endicott Johnson Co., Johnson City, N. Y.
Chas. McAdam Co., Chicago, Ill.

At present your Company conducts a Bacteriological and a Chemical Research laboratory.

The Bacteriological laboratory is engaged in extended investigations with the general objects in view of increasing and varying your Company's yields of Butyl, Acetone and Ethyl, and determining the relative advantages of new raw materials. It is known that there are many materials which are fermentable by the Weizmann Process, and which it might be possible to hold in reserve

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against periods of inflated values in the corn market, such as occurred during the summer of 1920. Low grades of rice, for example, and rice by-products can be used to advantage when prices permit, and arrangements have been made with large interests in the rice industry to meet your Company's demands on short notice.

While heretofore your Company's manufacturing process has been entirely confined to the fermentation of a corn mash, recently a series of experiments in the blending of various materials has yielded some important results, and while it would be impossible to foretell the ultimate value to be derived from your Company's programme for 1921, the management has expressed a strong hope that substantial progress in production and sales will be made.

The Chemical Research laboratory has interested itself in many experiments to determine the solubility in your Company's materials of products used in such major industries as the manufacture of paints, varnishes, celluloids, and drugs and chemicals generally. Each manufacturer's needs are considered separately and valuable suggestions have been made which should eventually further broaden our market.

After due consideration and acting under technical advice your Directors have determined to change the name of your Company's primary product. Butyl Alcohol will hereafter be known as "Butanol", the correct chemical term.

Your Company's sales field has been broadened through the execution with the Eastman Kodak Company on January 14th, 1921, of a contract covering a period of years to supply to that company Butyl Alcohol in place of one of their primary materials used in the manufacture of films. This result would point to the ultimate use of your Company's product, not only for camera films, but, in a much larger field, for moving picture films throughout the world.

Your audit shows that your Company is in a satisfactory cash position, as follows:

		% TO TOTAL CURRENT ASSETS
Current Assets:		
Cash	$365,543.61	62.80
Notes Receivable	676.91	.12
Accounts Receivable	59,054.58	10.14
Product Inventories	156,841.03	26.94
TOTAL CURRENT ASSETS	$582,116.13	100.00
Current Liabilities:		
Notes Payable	$150,000.00	25.77
Accounts Payable	27,353.14	4.70
Accrued	80,267.84	13.79
TOTAL CURRENT LIABILITIES	$257,620.98	44.26
NET CURRENT ASSETS	$324,495.15	55.74
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	2.259 to	1

In addition, the sum of $448,000 is due, on demand, from the Commercial Solvents Stock Syndicate against unpaid subscriptions, which, if considered, would raise the ratio of Current Assets to Current Liabilities to 4 to 1.

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CONSOLIDATION OF BALANCE SHEET FROM AUDITOR'S REPORT

December 31st, 1920.

ASSETS

CURRENT (Cash, Notes and Accounts Receivable and Inventories)	$582,116.13
PERMANENT (Land, Buildings and Equipment)	1,179,537.28
ORGANIZATION (Underwriting Costs and General Disbursements)	381,028.45
DEFERRED (Stores Inventory and Prepayments)	20,896.18
OTHER MISCELLANEOUS ASSETS (Subscription Rights Purchased to Commercial Solvents Common Stock, etc.)	19,247.09
	$2,182,825.13

LIABILITIES

CURRENT (Notes and Accounts Payable)	$177,353.14	
Accrued on Preferred Stock Dividends, Interest, Royalty and Taxes.	80,267.84	257,620.98
CAPITAL (Payments on Capital Stock Subscriptions, Net Appreciated Surplus, less Operations Deficit, Dividend Reserves and Depreciations)		1,925,204.15
		$2,182,825.13

The immediate outlook for your Company is obscured to the same extent as that for other corporations operating along similar lines. While further reductions in production costs are anticipated, a resumption of business in normal volume is not looked for prior to early summer. Prices are satisfactory, and a reasonable amount of business at present levels would show encouraging returns. A favorable factor lies in the fact that the large war stocks of Butanol, which curtailed our sales appreciably in 1920, have been practically exhausted.

Respectfully submitted,

W. D. TICKNOR,
President.

Terre Haute, Ind.
February 3rd, 1921.

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COMMERCIAL SOLVENTS CORPORATION

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Directors:

OPERATIONS

The Company's second year of operations ended on December 31st, 1921.

Four million two hundred thirty-two thousand three hundred six pounds of finished solvents were manufactured.

Shipments amounted to four million five hundred sixty-six thousand six hundred fifteen pounds.

As forecast in the President's Statement of February 3rd, 1921, your Plants were shut down entirely for the period January 1st to May 1st, 1921, and partially during the month of May. In June the first business of the year was obtained and shipments made.

TECHNICAL

During the year under review your Company has made substantial progress along technical lines, both as to process methods and the manufacture of secondary products and derivatives. The former made possible a reduction in the selling price of your primary product and the latter will, it is believed, broaden your sales field.

BETTERMENTS

Additions and improvements to your Plants at Terre Haute have been effected at a total cost of $153,767.57, principally expended in:

(*a*) Construction of a plant for the manufacture of cattle feed from waste material heretofore lost;

(*b*) Reconstruction of your power plants into a single unit of high efficiency;

(*c*) Installation of automatic coal-handling equipment; and

(*d*) Installation of equipment for handling ear corn direct from the farm.

PRICES

Current prices are the lowest in the history of your Company, but due to plant economies and an increasing volume of business, as elsewhere noticed, your management believes that the thirteen per cent. reduction, effective as of January 1st, in the price of your primary product will not adversely influence earnings.

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FOREIGN BUSINESS

Your Company opened an office in London during April of 1921, having purchased under favorable conditions all of the Weizmann Patents and Rights covering manufacture and sale of Butanol and Acetone in countries outside of the United States, as well as a large stock of material stored in England. It is expected that this transaction will not only strengthen your Company's patent position abroad, but afford opportunities for export heretofore closed to it.

NEW SECURITY ISSUE

As of November 15th, 1921, your Company sold $858,000.00 par value of 8%, 15-year Sinking Fund First Mortgage Gold Bonds, being part of an authorized issue of $1,000,000.00 par value. With the funds so obtained, Preferred Stock was purchased and cancelled to the amount of eight thousand five hundred eighty shares with accumulated dividends. Your Company profited through the cancellation of the dividend accumulations to the extent of $94,380.00.

EARNINGS

It is gratifying to report that the heavy shut-down loss sustained during the first half year was entirely recovered by the operations of the second half. The final profit for the year, including depreciation of $63,915.05 and adjustments of $3,528.98 by your Auditors, amounted to $44,297.40. After providing for Bond Interest and Reserves for Federal Taxes, a balance of $32,217.40 remains.

AUDIT

The following condensed Balance Sheet, after audit by Messrs. Ernst & Ernst as of December 31st, 1921, is submitted:

ASSETS

Current (Cash, Accounts Receivable and Inventories)	$550,285.45
Permanent (Land, Buildings and Equipment)	1,237,428.12
Organization (Development and Other Initial Costs)	387,310.00
Other Assets (Commercial Solvents Common Stock and Subscription Rights Purchased, etc.)	33,129.38
Deferred (including Bond Discount $85,800)	116,932.34
	$2,325,085.29

LIABILITIES

Current	$238,454.40
Reserves (Federal Taxes and Cumulative Dividends)	90,140.00
First Mortgage 15-year 8% Sinking Fund Gold Bonds	858,000.00
Preferred Capital Stock paid in—8% Cumulative	738,000.00
Common Capital Stock—no par value, Net Appreciated Surplus and Surplus	400,490.89
	$2,325,085.29

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Attention is invited to your Company's current position, showing an excess of assets over liabilities in the amount of $311,831.05 (ratio 2.308 to 1), excluding the sum of $448,000 receivable from Commercial Solvents Syndicate, against the receipt of which additional preferred and common stock, not considered above, are deliverable.

FUTURE BUSINESS

Firm business now in hand for the six months' period ending July 1st, 1922, insures a sales increase of sixty per cent. over the six months' period ending December 31st, 1921. Your management believes that business will be maintained at this rate throughout the year, resulting in satisfactory returns to your Stockholders.

DIVIDEND POSITION

It is considered that the position of your Company is now such as to justify the declaration of the accumulated dividend on the outstanding Preferred Stock for the quarter ending September 30, 1920. Funds from current net earnings have been set aside for this purpose, and your Board of Directors has ordered such distribution to be forthwith made to holders of Preferred Stock of record at the close of business this day.

Respectfully submitted,

P. G. MUMFORD,
President.

New York, February 24th, 1922.

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COMMERCIAL SOLVENTS CORPORATION

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

OPERATIONS

The Company's operations for the year ended December 31st, 1922, showed 10,164,074 pounds of finished solvents manufactured, and 10,812,457 pounds shipped.

Net profits for the year* were		$212,765.53
Out of which were paid:		
Interest on Bonds (cancelled June 23, 1922)	$ 33,176.00	
Preferred Dividends to June 23, 1922 (Cancelled June 23, 1922)	28,384.62	
Dividends on Class A Stock, June 23 to December 31, 1922	83,111.11	
	$144,671.73	
Add: Reserve for Federal Income Tax	22,600.00	167,271.73
To Surplus		$45,493.80

PROCESS

Bacteriological:

Plant bacteriological control was efficient during the first eight months of operations if one or two short intervals of contamination, with a consequent decline in the recovery of solvents, be excepted. In August, however, these periods of contamination began to appear with greater regularity, and the yield showed a consistent falling off month by month, reaching its low point about the middle of November, at which time the plant was operating at not more than fifty per cent. of its previous efficiency.

Ordinary methods of sterilization failed to produce the results previously obtained, and early in October a conference of noted bacteriologists was convened at the Plant to review the situation. A definite plan of action was decided on at this conference, which has been followed out ever since, with increasingly favorable results. It should be understood that the lines of research instituted entailed an enormous amount of detailed investigation not only at Terre Haute but at other laboratories before it was possible for your technical staff to determine definitely that the decreased recovery in the Plant was traceable primarily to a contamination, and that there was no deterioration in the Weizmann bacteria. It was not, therefore, until the first week in December that the results of this concentrated research effort could be applied to the Plant process, the yields for December and January showing a marked increase over those for November.

Under the direction of Dr. H. B. Speakman, of the University of Toronto, and Dr. E. B. Fred, of the University of Wisconsin, control methods have been elaborated and standardized, and equipment and personnel, both in the Research and Plant laboratories, greatly increased.

For obvious reasons it is not considered advisable to enter into a detailed description of the methods by which the problem of contamination has been attacked. It can, however, be stated that your technical staff, through its efforts in combatting the insidious and virulent form of infection with which it has been obliged to contend, has come into possession of much valuable informa-

*After all deductions including a depreciation charge of $24,685.30 against Factory Operations and $40,681.47 against Idle Property Expense.

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tion in respect to process methods. This information is entirely new and can undoubtedly be used to great advantage in future operations.

Chemical:

The effort of the personnel in the Company's Chemical Laboratories during the year has been largely devoted to the development, on a plant scale, of the manufacture of BUTANOL derivatives, principally Butyric Aldehyde and Butyl Tartrate. A practicable manufacturing process has been in operation for several months. 31,735 pounds have been produced and sold at satisfactory prices. The demand indicates the probable necessity of a further plant extension in the near future. In due course, and after the establishment of these derivatives on a more permanent manufacturing basis, the production of others on a commercial scale will be undertaken.

Mechanical:

Changes and additions to equipment have been installed during the year in the power house, the engine room, the laboratories, the fermenting room, and the distillation tower. A new pumping plant has been built which is operated by centrifugal pumps with automatic starters connected to six new driven wells, 12 inches in diameter. This plant insures an adequate supply of water without the necessity of purchasing, as heretofore, from the municipal water-works. A new machine shop has been constructed and equipped. Fire prevention devices have been installed throughout the Plant.

The most noteworthy improvement has been an increase of 33⅓% in plant capacity by the installation of certain large units from the Company's No. 1 Plant. Total betterments for 1922 involved a cash expenditure of $150,836.74.

RESEARCH—PATENTS

Early in 1922 a Department of Information on technical subjects was established with the objects of strengthening and extending the Company's patent position, securing information covering developments in related arts, and furnishing ready references to technical literature for the general use of the Staff. This department prepares advertising copy, handles patent applications and is in charge of the technical library of the Company.

PLANT No. 1

That portion of the Company's permanent assets known as "Plant No. 1" was situated about one-half mile from the operating plant. It was originally acquired under a decision of the United States Government authorities by which the sale of the present operating plant to your Company was prohibited unless accompanied by a sale of "Plant No. 1". On obtaining possession of the property all readily movable equipment was at once taken from Plant No. 1 to the operating plant, and during the year 1922 a large part of the heavy apparatus was transferred. The latter furnished the material for the capacity increase in the operating plant heretofore mentioned and left the No. 1 Plant partially wrecked. Since it was of no further potential value to the Corporation from an operating standpoint, a sale to a wrecking company was negotiated. In authorizing this sale, the following opinion of the Corporation's Executive Committee, subsequently confirmed by your Board of Directors, was recorded:

> "Said Plant has never been operated by this Company, and a large part of the equipment formerly located on said Plant has heretofore been removed to other portions of this Company's property, and this Committee is of the opinion that said Plant can not now be considered to have any potential value in connection with this Company's manufacturing operations."

Also that

> "This Committee has been advised by the President of this Company that the carrying of said Plant is now costing this Company approximately $35,000 per annum on account of taxes, insurance, labor, depreciation and other similar items."

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EXCHANGE OF SECURITIES

On June 23, 1922 the Corporation changed its financial plan by retiring and cancelling its outstanding 8% First Mortgage, 15-Year Sinking Fund Gold Bonds, 8% Preferred Capital Stock, and its Common Stock in exchange for two new issues of no par value Common Stock (Class "A" and Class "B") which are the only present outstanding capital obligations of the Company. Restrictions are placed upon the declaration of future dividends on Class "B" Stock which would reduce the earned surplus below the sum of $500,000, or the aggregate of dividends paid on Class "A" Stock, whichever is lower. 40,000 shares of each class of stock are issued and outstanding. Class "A" Stock is callable in whole or in part on any interest date at $50 a share and is convertible on any interest date into Class "B" Stock on twenty days prior notice, share for share, whether or not called for redemption, an issue of 40,000 additional shares of Class "B" Stock having been authorized to meet such conversion.

SALES

The Company's sales of finished products for the year 1922 showed a substantial increase over previous years, as follows:

	1922		1921		1920	
	Pounds	Value	Pounds	Value	Pounds	Value
Butanol	6,428,596	$1,210,259.85	2,300,660	$532,412.29	2,418,214	$626,123.72
Acetone	3,188,283	289,045.47	1,792,521	198,153.13	851,882	164,325.74
Ethyl Alcohol...	1,148,118	39,046.34	473,367	21,194.22	468,793	54,102.88
Derivatives	31,735	14,227.51	0	0	0	0
Miscellaneous ..	15,725	2,735.40	67	5.03	0	0
Corn Bran.....	....	23,563.45	....*	....*	....*	....*
Total.....	10,812,457	$1,578,878.02	4,566,615	$751,764.67	3,738,889	$844,552.34

DISTRIBUTION

During 1922, 267 customers were served in quantity lots compared with 122 in 1921 and 57 in 1920.

ORDERS

Unfilled contracts and orders for the six months ending June 30th, 1923, amount to 7,580,000 pounds, which compares with 5,350,000 pounds on order in July, 1922, and 4,450,000 pounds in January, 1922.

PRICES

Butanol and Acetone prices for 1923 have advanced sharply. Based on the marked improvement in the results of operations during the month of January, it is thought that the present average sales prices on unfilled orders should in a large measure compensate for an impairment of yields while your plant is in any degree under the influence of the contamination heretofore referred to, and that the margin of profit will be such as to insure your Company's cash position and the payment of quarterly dividends on its Class "A" Stock. As yields and costs work back to normal the sales price of BUTANOL, the primary product of your Company, will be again reduced in conformity with the Company's established policy of gradually lowering prices as costs decline.

EARNINGS

Although the net profit for 1922 after Bond Interest and Federal Taxes is $124,772.13 greater than that for the preceding year, the result is disappointing in that practically this entire profit was earned during the first half of the year. The second half year showed a small operating loss. This loss was primarily due to the lower yields of marketable solvents recovered from each bushel of corn owing to the contamination in your Plant above mentioned. Secondarily it was due to the increased cost of coal on account of the coal strike; to the increased cost of raw materials; and to the reduction which had been made for this period in the average sales prices of the finished products. All of these factors combined to make a difference in profits to your Company of more than $250,000 for the half year.

The Company finished its first fiscal period under its new financial organization with an earned surplus of $148,559.79, after payment of all Bond Interest, and Preferred and Class "A" Dividends. Its ratio of current assets to current liabilities on December 31st, 1922, was 2.65 to 1, which compares with 2.704 to 1 on June 30th, 1922, and with 2.308 to 1 on December 31st, 1921.

* Receipts from sales of corn bran credited to corn purchases in 1920 and 1921.

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1922 Survey

AUDIT

The Corporation's Balance Sheet as constructed by your Auditors, Messrs. Ernst and Ernst, together with Income Accounts for the year 1922 and for the six months ended December 31st, 1922, as well as a copy of the Auditors' Certificate, follow:

ASSETS

CURRENT:		
Cash on Hand and Deposit	$183,531.82	
Accounts Receivable—Customers	55,913.54	
—Employes	485.28	
Inventories—Raw Materials in Process, Finished Products, Drums (Depreciated), at Cost or Market, whichever is lower	98,544.71	$338,475.35
PERMANENT:		
Land, Buildings and Equipment (After Depreciation)		1,308,082.55
GOOD-WILL AND PATENTS		1.00
ORGANIZATION EXPENSES		94,381.99
OTHER ASSETS:		
Capitalized Research Processes	$30,699.61	
Furniture and Fixtures—New York and London Offices	4,306.18	
Treasury Stock—Cost	622.59	
Aldehyde, Butyric Acid and Tartrate Process Costs	13,976.62	
Miscellaneous—European and Other Contract Rights and Securities	65,413.78	115,018.78
DEFERRED:		
Unexpired Insurance	$8,443.63	
Stores Inventory	28,602.66	
Miscellaneous Prepaid Expense	25,569.96	62,616.25
TOTAL ASSETS		$1,918,575.92

LIABILITIES

CURRENT:			
Notes Payable to Banks—Demand		$75,000.00	
Accounts Payable		29,108.02	
Accrued—Payroll, Royalty, Taxes and Interest		23,500.50	$127,608.52
RESERVES:			
Cumulative—Class "A" Dividends		$40,000.00	
For Estimated 1922 Federal Taxes		22,600.00	62,600.00
CAPITAL:			
Common—Class "A"—Authorized and Issued		40,000 Shares	
Common—Class "B"—Authorized	80,000 Shares		
Less: Held for Conversion—Class "A"	40,000 Shares		
Common—Class "B"—Issued		40,000 Shares	
(Total 80,000 Shares No Par Value represented by the Surplus)			
Paid in Surplus		1,195,832.68	
Appreciated Surplus		383,974.93	
EARNED SURPLUS:			
Profit from Operations June 1st, 1921, to December 31st, 1921, after provision for Preferred Dividends	$94,008.35		
Difference in 1921 Federal Income Tax	56.64		
Profit from Sale of Common Stock	9,000.00		
Good-will Set Up At	1.00		
	$103,065.99		
Net Profit Year Ended December 31st, 1922	156,989.53	260,055.52	
		$1,839,863.13	
DEDUCT:			
Cumulative—Class "A" Dividends, June 23rd to December 31st, 1922	$83,111.11		
Preferred Dividends, January 1st to June 23rd, 1922	28,384.62	111,495.73	1,728,367.40
			$1,918,575.92

INCOME ACCOUNT

Year Ended Dec. 31st, 1922

GROSS PROFIT:	
After Deducting Production Costs, Laboratory Expense, Factory Operating, Redistillation Charges and Returns and Allowances; and after Deduction of $24,685.30 for Depreciation against Factory Operations	$433,206.05
Deduct:	
Administrative, General, Selling and Shipping Expenses	172,335.43
OPERATING PROFIT	$260,870.62
Add:	
Miscellaneous Income	30,347.53
	$291,218.15
OTHER DEDUCTIONS:	
Including Discount on Sales ($12,833.13), Interest on Notes ($6,945.29), Idle Property Expense ($40,681.47)	78,452.62
NET PROFIT BEFORE PROVISION FOR FEDERAL INCOME TAX	$212,765.53
Deduct:	
Bond Interest	33,176.00
	$179,589.53
Estimated Federal Taxes—Year Ended December 31st, 1922	22,600.00
NET TO SURPLUS—AS PER BALANCE SHEET	$156,989.53

INCOME ACCOUNT

Six Months ended December 31st, 1922.

GROSS PROFIT:	
After Deducting Production Costs, Laboratory Expense, Factory Operating, Redistillation Charges and Returns and Allowances; and after Deduction of $12,634.30 for Depreciation against Factory Operations	$65,447.95
Deduct:	
Administrative, General, Selling and Shipping Expenses	83,564.77
OPERATING LOSS	*$18,116.82*
Add:	
Miscellaneous Income	20,720.29
	$2,603.47
OTHER DEDUCTIONS:	
Including Discount on Sales ($5,938.66), Interest on Notes ($2,500.00), Idle Property Expense ($19,772.48).....	37,485.96
NET LOSS TO EARNED SURPLUS.....	*$34,882.49*

WE HEREBY CERTIFY, that we have examined the books of account and record of the COMMERCIAL SOLVENTS CORPORATION, Terre Haute, Ind., under date of December 31st, 1922. Cash was confirmed by actual count or certificates from depositaries. No provision appears to be necessary for losses in collection of Accounts Receivable. Inventories are conservatively priced at the lower of cost or market. Provision has been made for all ascertained liabilities and, in our opinion, the attached Balance Sheet properly reflects the Company's financial condition at December 31st, 1922, and the relative statements of Income and Expense are correct.

(Signed) ERNST & ERNST,
Certified Public Accountants.

Respectfully submitted,

P. G. MUMFORD,
President.

New York City,
February 10, 1923.

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COMMERCIAL SOLVENTS CORPORATION

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

During the greater part of the year 1923 the operations of your Company continued to be affected by the process trouble described in the report for 1922. This curtailed production, increased costs and rendered advisable the omission of Class "A" dividends over a nine months' period. Early in October, as a result of the long period of intensive study of the Company's difficulties by your technicians, certain improvements in process and plant methods were inaugurated which brought the trouble under control and placed operations once more upon a remunerative basis. In the opinion of your management, the system now used insures your operation against the possibility of a recurrence of the general plant contamination which has curtailed production in the past. The net loss for the year was $59,874.39.

On April 30th, 1923 you authorized the issue of $1,000,000.00 in First Preferred 8% Cumulative Non-Voting Stock of a par value of $100.00 a share. This issue was largely oversubscribed. The proceeds were used to purchase and equip the Majestic Plant of U. S. Food Products Corporation at Peoria, Illinois. This Plant was recently put into operation and is now running at full capacity, which is substantially the same as the capacity of your Terre Haute Plant.

Earnings during November and December were sufficiently encouraging in the opinion of your Directors to justify the resumption of dividends on Class "A" Stock.

Orders in hand indicate that your plants will operate at capacity during the current year and that satisfactory returns will be realized.

Balance Sheet as constructed by your Auditors, Messrs. Ernst and Ernst, together with Income Accounts for the year 1923 and for the six months ended December 31st, 1923, with copy of Auditor's Certificate, follow:

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ASSETS

CURRENT		
Cash on Hand and Deposit	$208,271.82	
Trade Acceptances—Customers	17,500.00	
Accounts Receivable—Customers	90,241.75	
Inventories—Raw Material, In Process and Finished Product, etc.	179,222.98	
Subscriptions to Preferred Stock (Balance)	579,414.00	$1,074,650.55
($224,474.00 pledged to secure loans from banks in the amount of $174,000.00)		
OTHER ASSETS		
Sundry Accounts Receivable; Investment		21,365.38
PERMANENT		
Land, Buildings, Equipment, etc. (Less: Allowance for Depreciation)		2,102,450.33
GOOD WILL AND PATENTS		1.00
CONTRACT RIGHTS, PROCESSES, ETC.		140,450.28
DEFERRED CHARGES		
Organization Expenses	$107,341.02	
Stores Inventory	35,594.95	
Unexpired Insurance Premiums and Miscellaneous Expenses	36,101.00	179,036.97

NOTE "A"—No contingent liabilities were reported to us and as far as we could ascertain none existed.

NOTE "B"—No appraisal has been made by us of the value of the Good Will and Patents, nor of the Contract Rights, Processes, Investments, Etc.

NOTE "C"—Accumulated undeclared unpaid Dividends on the Class "A" Common stock amounted at the above date to $120,000.00.

$3,517,954.51

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1923

LIABILITIES

CURRENT:			
Notes Payable—For borrowed money and construction ($174,000.00 secured by pledge of Subscriptions to Preferred Stock)		$524,306.00	
Accounts Payable		227,797.75	
Dividends Payable		47,623.81	
Accrued Accounts		52,101.14	
Purchase Money Mortgage—installments due 1924		160,000.00	$1,011,828.70
NOTES PAYABLE—For construction—due 1925			8,500.00
PURCHASE MONEY MORTGAGE—Balance due 1925			120,000.00
CAPITAL STOCK:			
PREFERRED—8% CUMULATIVE			
Issued	$419,700.00		
Subscribed	580,300.00	$1,000,000.00	
COMMON:			
CLASS "A"—NO PAR VALUE—CUMULATIVE			
(Liquidation Value $50.00 per share)			
Authorized and Issued	40,000 Shares		
CLASS "B"—NO PAR VALUE			
Authorized	80,000 Shares		
Less: Held for conversion of Class "A" Shares	40,000 "		
Issued	40,000 "		
Common Stock Equity Dec. 31, 1922	$1,728,367.40		
Less:			
Net Loss for year from operations	$ 59,874.39		
Difference between sales price and appreciated book value of Plant #1	247,483.96		
Dividends Paid or Declared	55,651.87		
	$363,010.22		
Deduct:			
Miscellaneous Adjustments (Net)	12,268.63	350,741.59	1,377,625.81	2,377,625.81
				$3,517,954.51

INCOME ACCOUNT

Year Ended December 31, 1923

GROSS PROFIT:	
After deducting Production Costs, Laboratory Expense, Factory Operating Expenses, Redistillation Charges and Returns and Allowances; and after deduction of $59,533.19 for Depreciation	$106,295.51
Deduct:	
Administrative, General, Selling and Shipping Expenses	114,152.27
OPERATING LOSS	*$7,856.76*
Add:	
Miscellaneous Income	26,690.88
	$18,834.12
OTHER DEDUCTIONS:	
Including Discounts on Sales ($12,503.99) Interest on Notes ($9,555.55) Idle Property Expense ($12,041.93)	78,708.51
NET LOSS FOR YEAR	*$59,874.39*

INCOME ACCOUNT

Six Months Ended December 31, 1923

GROSS PROFIT:	
After deducting Production Costs, Laboratory Expense, Factory Operating Expenses, Redistillation Charges and Returns and Allowances; and after deduction of $29,780.36 for Depreciation	$44,355.67
Deduct:	
Administrative, General, Selling and Shipping Expenses	50,641.62
OPERATING LOSS	*$6,285.95*
Add:	
Miscellaneous Income	2,550.25
	$3,735.70
OTHER DEDUCTIONS:	
Including Discount on Sales ($6,510.13) Interest on Notes ($5,910.55) Idle Property Expense ($4,865.40)	19,102.81
NET LOSS FOR SIX MONTHS	*$22,838.51*

WE HEREBY CERTIFY that we examined the books of account and record pertaining to the Assets and Liabilities of COMMERCIAL SOLVENTS CORPORATION—NEW YORK CITY, at December 31, 1923. Cash funds in the United States were verified by count or certificates from depositaries. No provision appears to be necessary for losses in collection of Accounts Receivable. Inventories are priced at the lower of cost or market. Provision has been made for all ascertained liabilities and, in our opinion the attached Balance Sheet shows the Company's financial condition at December 31, 1923, and the relative statements of Income and Expense are correct.

(Signed) ERNST & ERNST,
Public Accountants.

Respectfully submitted,

P. G. MUMFORD,
President.

New York City,
February 11, 1924.

338.7
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1924

COMMERCIAL SOLVENTS CORPORATION

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

Your company's operations for the year 1924 have shown marked improvement. Sales increased 141%.

Your plant at Peoria, completed in December, 1923, came into full production in January, 1924, and was operated at full capacity throughout the year, with the exception of a short period in the middle of the summer.

Owing to your company's greatly increased output, because of the production of the Peoria plant, it was possible to shut down your Terre Haute plant for several months during 1924 to make certain changes which the operation of the Peoria plant had demonstrated to the technical staff to be both desirable and important. These changes have resulted in largely increasing the efficiency of your Terre Haute plant.

During the latter half of 1924, it became apparent that, in spite of the company's increased capacity, it would be impossible to supply the growing demand for your company's products unless substantial additions to your company's plants were completed promptly. To meet this situation, in November 1924 your Directors authorized an addition to your Peoria plant which would increase its production by approximately thirty percent. While it is hoped that this increase will meet your company's immediate necessities, your Board of Directors felt that provision for still further facilities should be made. In December, therefore, it was decided to issue and sell $3,200,000 face value of your company's Five Year 6½% Convertible Gold Notes*, the funds so realized to be largely devoted to increasing your company's present plants and to new construction. Your company is now in a position to proceed with its program of expansion, which should result in doubling its present capacity by October, 1925.

During the year 1924 your company earned $1,201,972.91 before Federal taxes, after making provision for depreciation and special amortization; maintained the dividend on its preferred and Class A stocks; paid its Class A stockholders all accrued dividends; and added $701,611.74 to its Earned Surplus Account.

Balance sheet, as constructed by your auditors, Messrs. Arthur Young & Company, together with Income Account, for the year 1924, and a reconciliation of surplus, with copy of Auditor's Certificate, follow:

*These notes were issued in January 1925 and consequently do not appear in the attached Balance Sheet.

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ASSETS

Current		
Cash on hand and on deposit		$274,730.89
Accounts Receivable	$347,100.80	
Less payments on account	135,222.96	211,877.84
Trade Acceptances		15,010.00
Inventories of Raw Material, Work in Process and Finished Products (at cost or market the lower)		720,287.91
		$1,221,906.64
Fixed Assets—Land, Buildings and Equipment, less reserve for depreciation		2,345,131.44
Investments, at cost		21,466.70
Goodwill and Patents		1.00
Contract Rights, Processes, etc		147,648.47
Deferred Charges:		
Organization Expense (Unamortized Balance)	$56,465.35	
Supplies Inventory	57,163.89	
Prepaid Insurance and Miscellaneous	26,340.00	139,969.24
		$3,876,123.49

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1924

LIABILITIES

CURRENT			
Accounts Payable			$166,114.48
Bank Loans			180,000.00
Purchase Money Mortgage Installment due 1925			120,000.00
Notes Payable (for equipment)			8,500.00
Dividends Declared and Unpaid			59,361.46
Accrued Royalties, Wages, Interest, Taxes, etc.			82,576.76
Reserve for Federal Income Taxes 1924			158,000.00
			$774,552.70
SUBSCRIPTIONS received in advance on issue of $3,200,000 Five year 6½% Conv. Gold Notes dated Jan. 1, 1925			34,300.00
CAPITAL			
PREFERRED—8% Cumulative—Authorized and Issued 10,000 shares $100 par value			1,000,000.00
COMMON—			
Class "A"—No Par Value with cumulative dividends at $4 per share (liquidation value $50 per share).			
Authorized and Issued	40,000 sh.		
Class "B"—No Par Value Authorized	110,000 sh.		
Held for conversion of Class "A" and for 6½% Gold Notes	70,000 sh.		
Issued	40,000 sh.		
Surplus—Common Stock Equity at June 1, 1921		$1,195,832.68	
Appreciated Surplus—(Net) Revaluation of Fixed Assets		114,192.84	
Earned Surplus		757,245.27	2,067,270.79
			$3,876,123.49

SURPLUS ACCOUNT

December 31, 1924

(Representing Equity of 40,000 shares Class "A" and 40,000 shares Class "B" No Par Value Capital Stock Outstanding)

Balance at June 1, 1921			$1,195,832.68
Appreciated Surplus arising from revaluation of Fixed Assets			126,159.60
Earned Surplus—Balance January 1, 1924			55,633.53
Common Stock Equity, January 1, 1924			$1,377,625.81
Deduct:			
1924 Depreciation applicable to above Appreciation Surplus			11,966.76
			$1,365,659.05
Net Earnings for the year ended December 31, 1924		$1,043,972.91	
Less: Dividends—			
Preferred Stock	$62,361.17		
Class "A" Common Stock	280,000.00	342,361.17	701,611.74
			$2,067,270.79

INCOME ACCOUNT

Year Ended December 31, 1924.

GROSS PROFIT:	
After deducting Production Costs, Laboratory Expense, Factory Operating, Returns and Allowances and Depreciation applicable against operating, building and equipment	$1,553,576.02
Deduct:	
Administrative, General, Selling and Shipping Expense	317,424.74
OPERATING PROFIT	$1,236,151.28
Add:	
Other Income	183,044.45
Total	$1,419,195.73
OTHER DEDUCTIONS:	
Including Interest on Notes ($30,494.56), Mark Down on Ethyl Inventory ($18,848.19), cash discounts given ($34,417.35), and organization expense write off ($59,000.32)	217,222.82
NET PROFIT before Provision for Federal Income Tax	$1,201,972.91
ALLOWANCE FOR FEDERAL INCOME TAX	158,000.00
Net Profit for year	$1,043,972.91

We have examined the books and accounting records of COMMERCIAL SOLVENTS CORPORATION for the year ended December 31, 1924 and have prepared therefrom the foregoing Balance Sheet and accompanying Statements of Profit & Loss and Surplus, and

WE HEREBY CERTIFY that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

New York,
January 22, 1925.

(Signed) ARTHUR YOUNG & CO.,
Members American Institute of Accountants.

Respectfully Submitted,

P. G. MUMFORD,
President.

New York City,
February 11th, 1925.

1925

COMMERCIAL SOLVENTS CORPORATION

SEVENTEEN EAST FORTY-SECOND STREET, NEW YORK CITY

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

Your company's operations for the year 1925 have shown satisfactory growth. Sales of all products more than doubled in volume over the preceding year. Distribution to new customers expanded proportionately.

The additions to your Peoria Plant, authorized in November, 1924, and completed in April, 1925, doubled its capacity. These additions were estimated to produce an increase of thirty per cent., but the output obtained rendered further extension unnecessary during the year and permitted your company to conserve the major part of the proceeds from the sale of its Five Year 6½% Convertible Gold Notes.

Your company's cash position, as reflected in the accompanying Balance Sheet, should therefore prove ample to meet the capital expenditures now under consideration in connection with a further increase in facilities for the production of solvents, and the extraction of by-products from fermentation gases.

During the year 1925 your company paid the usual dividends on its Preferred and Class A Stocks, made proper provision for depreciation, obsolescence and amortization, and added $657,-869.37 to its Earned Surplus Account.

Balance Sheet, as constructed by your auditors, Messrs. Arthur Young & Company, together with Income Account for the year 1925, with copy of Auditors' Certificate, are submitted herewith.

P. G. MUMFORD
President

New York City,
February 10, 1926.

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BALANCE SHEET AS OF DECEMBER 31, 1925

ASSETS

CURRENT:			
Cash on hand and on deposit			$3,168,783.28
Accounts Receivable			405,873.16
Accrued Interest Receivable			13,613.75
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)			960,559.53
Total current			$4,548,829.72
FIXED ASSETS—Land, Buildings and Equipment, less reserve for depreciation			2,362,785.04
INVESTMENTS (at the lower of cost or market)			20,120.00
GOODWILL and Patents			1.00
CONTRACT Rights, Processes, etc.			140,842.76
DEFERRED CHARGES:			
Supplies Inventory	$78,630.43		
Note Issue Costs	130,865.73		
Prepaid Insurance and Miscellaneous	32,388.14		241,884.30
			$7,314,462.82

LIABILITIES

CURRENT:			
Accounts Payable			$86,240.39
Dividends Declared and Unpaid			59,960.00
Accrued Royalties, Wages, Interest, etc.			189,146.28
Reserve for State and Federal Taxes			172,628.83
Total current			$507,975.50
FIVE YEAR 6½% Convertible Gold Notes due January 1, 1930			2,422,900.00
CAPITAL:			
PREFERRED STOCK—8% Cumulative—Authorized and Issued 10,000 shares $100 par value		$1,000,000.00	
COMMON STOCK—			
Class "A"—No Par Value with cumulative dividends at $4 per share (liquidation value $50 per share). Authorized and outstanding	39,960 shs.		
Class "B"—No Par Value			
Authorized	110,000 shs.		
Held for conversion:			
Class "A"	39,960		
Gold Notes	21,870		
Unissued	1,106	62,936 shs.	
Outstanding	47,064 shs.		
Common Stock		$1,968,472.68*	
EARNED SURPLUS—			
January 1, 1925	$757,245.27		
Adjustments	7,484.30		
Net Profits 1925	890,265.07		
	$1,654,994.64		
Less Dividends Declared	239,880.00	1,415,114.64	4,383,587.32
			$7,314,462.82

(*Increase of $772,640.00 during year 1925 represented by 7024 shares of Class "B" Stock issued in conversion of 6½% Gold Notes at $110.)

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1925

INCOME ACCOUNT

Year Ended December 31, 1925

Operating Profit	$1,312,189.33
Add:	
Other Income	87,712.18
Total	$1,399,901.51
Less:	
Other Deductions—Including Interest on 5 Yr. 6½% Gold Notes, Cash Discounts Given, etc.	338,014.44
Net Profit before provision for State and Federal Taxes	$1,061,887.07
Allowance for State and Federal Taxes	171,622.00
Net Profit for Year	$890,265.07

We have examined the books and accounting records of Commercial Solvents Corporation for the year ended December 31, 1925 and have prepared therefrom the foregoing Balance Sheet and accompanying Statement of Income Account, and

We Hereby Certify that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

(Signed) ARTHUR YOUNG & CO.,
Members American Institute of Accountants.

New York,
January 22, 1926.

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COMMERCIAL SOLVENTS CORPORATION

SEVENTEEN EAST FORTY-SECOND STREET, NEW YORK CITY

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

Operations for the year 1926 continued on a satisfactory basis, sales distribution expanding in proportion to the increased manufacturing facilities.

In June, 1926, construction was begun on the additional solvents plant and on the by-products plant to which reference was made in the last Annual Report. All of this work should be completed in March, 1927. These additions will increase the present Butanol production capacity by about forty per cent. (40%). The cost will total approximately $3,000,000.00, of which more than $2,000,000.00 has already been expended and the balance provided for in your company's current position.

Your company's outstanding Five Year 6½% Convertible Gold Notes were redeemed on June 1st, 1926. Its First Preferred Stock and its Class A Stock were redeemed as a whole on July 1st, 1926. Rights of conversion on Notes and Class A Stock were largely exercised. The total outstanding securities of your company now consist of 108,861 shares of Class B Stock, on which an initial dividend of two dollars ($2.00) per share was paid October 1st, 1926.

During the year $1,102,427.27 was added to Earned Surplus Account after dividends and after making proper provision for depreciation in addition to a substantial charge to cover obsolescence of properties and plant.

Balance Sheet, as constructed by your Auditors, Messrs. Arthur Young & Company, together with Income Account for the year 1926, with copy of Auditors' Certificate, are submitted herewith.

P. G. MUMFORD
President.

New York City,
February 9, 1927.

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BALANCE SHEET AS OF DECEMBER 31, 1926

ASSETS

CURRENT:			
Cash on hand and on deposit			$2,128,783.74
Accounts Receivable			335,294.57
Accrued Interest Receivable			14,991.65
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)			1,420,025.54
Total Current			$3,899,095.50
FIXED ASSETS—Land, Buildings and Equipment, less reserve for depreciation			3,512,552.74
INVESTMENTS (at the lower of cost or market)			13,453.78
GOODWILL and Patents			1.00
DEFERRED CHARGES:			
(Supplies Inventory, Prepaid Insurance, Process Charges, etc.)			193,915.71
			$7,619,018.73

LIABILITIES

CURRENT:			
Accounts Payable			$108,479.44
Dividends Declared and Unpaid			217,722.00
Accrued Royalties, Wages, Interest, etc			50,067.14
Reserve for Federal and State Taxes			354,665.56
Total Current			$730,934.14
CAPITAL:			
COMMON STOCK—CLASS "B"—NO PAR VALUE			
Authorized	110,000 shs.		
Unissued	1,139 shs.		
Outstanding	108,861 shs.		
Common Stock		$4,370,542.68*	
EARNED SURPLUS—			
January 1, 1926	$1,415,114.64		
Net Profits 1926	1,707,791.27		
	$3,122,905.91		
Less: Dividends Declared	605,364.00†	2,517,541.91	6,888,084.59
			$7,619,018.73

(* Increase of $2,402,070.00 during year 1926 represented by 21,837 shares of Class "B" Stock issued in conversion of 6½% Gold Notes at $110. and 39,960 shares of Class "B" Stock issued in exchange for 39,960 shares of Class "A" Stock.)

(† Includes $50,000.00 redemption premium on First Preferred Stock.)

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1926

INCOME ACCOUNT

Year Ended December 31, 1926

Operating Profit	$2,444,334.59
Add:	
Other Income	112,221.84
Total	$2,556,556.43
Less:	
Other Deductions—Including Interest on 5 Yr. 6½% Gold Notes, Cash Discounts Given, etc.	486,847.41
Net Profit before provision for Federal and State Taxes	$2,069,709.02
Allowance for Federal and State Taxes	361,917.75
Net Profit for Year	$1,707,791.27

We have examined the books and accounting records of Commercial Solvents Corporation for the year ended December 31, 1926 and have prepared therefrom the foregoing Balance Sheet and accompanying Statement of Income Account, and

We Hereby Certify that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

(Signed) ARTHUR YOUNG & CO.,
Members American Institute of Accountants.

New York,
January 25, 1927.

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1927

COMMERCIAL SOLVENTS CORPORATION

SEVENTEEN EAST FORTY-SECOND STREET, NEW YORK CITY

ANNUAL STATEMENT BY THE PRESIDENT, APPROVED BY THE BOARD OF DIRECTORS AND ORDERED TO BE PRINTED AND DISTRIBUTED TO STOCKHOLDERS

To the Stockholders:

Operations for the year 1927 showed a satisfactory increase over 1926.

The plant construction begun in June, 1926, and referred to in the Annual Statement of February 9, 1927, was finished in March, 1927, at a cost of $2,615,000.00 (saving $385,000.00 on engineers' estimate). In December additional production facilities were completed at a cost of $313,000.00. The Peoria Plant capacity is now double that of February, 1926, exclusive of by-products additions.

Your Corporation's earning power has attained added stability through a number of new process developments commercialized during the year. The manufacture of synthetic Methanol (Wood Alcohol) from waste gases was placed on a production basis in June and a remunerative market for this product has been secured. Corn degerminating apparatus installed at the Terre Haute Plant during the summer, and other units now nearing completion at the Peoria Plant, should prove a further source of revenue.

There are now outstanding 217,722 shares of Capital Stock. The Corporation has no other capital liability. An initial quarterly dividend of Two Dollars ($2.00) per share was paid on October 1st, 1927.

After making proper provision for depreciation, in addition to a substantial charge to cover obsolescence of properties and plant, and after allowing for dividends declared, $706,542.94 was added to Earned Surplus Account during the year.

Balance Sheet, as constructed by your Auditors, Messrs. Arthur Young & Company, together with Income Account for the year 1927, with copy of Auditors' Certificate, are submitted herewith.

P. G. MUMFORD,
President.

New York City,
February 8, 1928.

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BALANCE SHEET AS OF DECEMBER 31, 1927

ASSETS

CURRENT:		
Cash on hand and on deposit		$1,815,243.99
Accounts Receivable		876.003.59
Accrued Interest Receivable		7,250.00
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)		1,594,983.73
Total Current		$4,293,481.31
FIXED ASSETS—Land, Buildings and Equipment, less reserve for depreciation		4,305,891.27
GOODWILL and Patents		1.00
DEFERRED CHARGES:		
(Supplies Inventory, Prepaid Insurance, Process Charges, etc.)		286,593.40
		$8,885,966.98

LIABILITIES

CURRENT:		
Accounts Payable		$219,156.44
Dividends Declared and Unpaid		435,444.00
Accrued Royalties, Wages, Interest, etc		148,772.10
Reserve for Federal and State Taxes		434,819.39
Total Current		$1,238,191.93
RESERVE FOR CONTINGENCIES		53,147.52
CAPITAL STOCK—NO PAR VALUE		
Authorized 250,000 shs.		
Unissued 32,278 shs.		
Outstanding 217,722 shs		4,370,542.68
EARNED SURPLUS—		
January 1, 1927	$2,517,541.91	
Net Profits 1927	2,012,874.94	
	$4,530,416.85	
Less: Dividends Declared	1,306,332.00	3,224,084.85
		$8,885,966.98

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1927

INCOME ACCOUNT

Year Ended December 31, 1927

Operating Profit	$2,579,967.29
Add:	
Other Income	76,764.68
Total	$2,656,731.97
Less:	
Other Deductions	213,796.03
Net Profit before provision for Federal and State Taxes	$2,442,935.94
Provision for Federal and State Taxes (including prior years)	430,061.00
Net Profit for Year	$2,012,874.94

We have examined the books and accounting records of Commercial Solvents Corporation for the year ended December 31, 1927 and have prepared therefrom the foregoing Balance Sheet and accompanying Statement of Income Account, and

We Hereby Certify that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

(Signed) ARTHUR YOUNG & CO.,
Members American Institute of Accountants.

New York,
January 20, 1928.

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1928

ANNUAL REPORT

NINTH ANNUAL REPORT

OF THE

COMMERCIAL SOLVENTS CORPORATION

YEAR ENDED DECEMBER 31, 1928

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1928

COMMERCIAL SOLVENTS CORPORATION

GENERAL OFFICES
17 EAST 42nd STREET
NEW YORK

PLANTS
TERRE HAUTE, INDIANA
PEORIA, ILLINOIS

DIRECTORS

WILLIS H. BOOTH
CLEMENT R. FORD
DAVID M. GOODRICH
WILLIAM S. GRAY
WILLIAM E. S. GRISWOLD
HUNTINGTON JACKSON
EDWARD P. KEECH, JR.
HENRY LOCKHART, JR.
HOWARD LINN
GEORGE M. MOFFETT
PHILIP G. MUMFORD
WILLIAM D. TICKNOR

OFFICERS

WILLIAM D. TICKNOR.....Chairman of the Board and President
PHILIP G. MUMFORD.....Vice-Chairman of the Board
THEODORE P. WALKER.....Executive Vice-President
WILLIAM A. BURTON.....Vice-President
CHARLES L. GABRIEL.....Vice-President
HENRY E. PERRY.....Vice-President
ARTHUR ORR.....Vice-President
THOMAS F. CARTY.....Treasurer
WILLIAM V. SULLIVAN.....Secretary
EARL L. PANGBORN.....Comptroller
JOHN C. WOODRUFF.....Director of Research
AUGUSTUS P. KIMMIG.....Asst. Secy. and Asst. Treas.
WARREN W. BAGANZ.....Asst. Secy. and Asst. Treas.

STOCK TRANSFER AGENT
Guaranty Trust Company of New York
140 Broadway
New York

REGISTRAR OF STOCK
The Chase National Bank of the City of New York
Pine Street, corner of Nassau
New York

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COMMERCIAL SOLVENTS CORPORATION

17 EAST 42ND STREET, NEW YORK

JANUARY 29, 1929

TO THE STOCKHOLDERS:

The Board of Directors submits herewith a report, balance sheet and condensed statement of earnings for the fiscal year which ended December 31st, 1928.

Operating efficiency was well maintained, and the manufacturing facilities, which had been constantly increased in previous years, proved adequate for current needs with ample factors of safety in most respects. The outlay for capital account during 1928 was, therefore, less than that of any year since 1924. As will be observed, this is reflected in an improved cash position.

In accordance with the established policy, the products, particularly Butanol and Acetone, have been sold throughout the year at consistently low price levels. This has been done in the face of a rising market for many commodities in this branch of the chemical industry. It has resulted in an increased demand for the major products and their derivatives. Sales have been further augmented through greater output of by-products, such as Methanol, Corn Oil and Cattle Feed.

The net profits for the year, as stated, are after making the usual provision for depreciation and a substantial charge for possible obsolescence arising from changing methods and advances in the art of manufacture. Cash dividends at the rate of $8.00 per share were paid during the year.

The outstanding shares of Capital Stock were increased from 217,722 to 221,974 by the declaration of a stock dividend, paid on November 1st, 1928, at the rate of two shares for each one hundred shares then outstanding.

Both plants are in excellent physical condition, and operating costs are normal. The increasing popularity of lacquers and kindred finishes, the growth of industries such as artificial silk, photographic films, and others in which the products are widely used, appears, therefore, to justify a feeling of confidence in the possibilities for the year 1929.

The Board desires to express its appreciation of the loyal efforts of the officers and employees throughout the year, and to extend to the stockholders its thanks for their continued support and cooperation.

By order of the Board of Directors

W. D. TICKNOR
Chairman

BALANCE SHEET AS OF DECEMBER 31, 1928

ASSETS

CURRENT :		
Cash		$4,126,681.93
Accounts Receivable		781,185.62
Accrued Interest Receivable		23,642.91
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)		1,446,989.27
Total Current		$6,378,499.73
FIXED ASSETS—Land, Buildings and Equipment, less reserve for depreciation		3,591,452.87
GOODWILL and Patents		1.00
DEFERRED CHARGES :		
(Supplies Inventory, Prepaid Insurance, Process Charges, etc.)		127,218.17
		$10,097,171.77

LIABILITIES

CURRENT :		
Accounts Payable		$220,063.49
Dividends Declared and Unpaid		443,942.00
Accrued Royalties, Wages, Interest, etc.		146,778.70
Reserve for Federal and State Taxes		506,992.90
Total Current		$1,317,777.09
RESERVE FOR CONTINGENCIES		5,629.85
CAPITAL STOCK—NO PAR VALUE		
Authorized	250,000 shares	
Unissued	28,026 shares	
Outstanding	221,974 shares	4,455,880.32
Outstanding Scrip Equivalent to	102 shares	2,047.14

EARNED SURPLUS—		
January 1, 1928	$3,224,084.85	
Net Profits 1928	2,929,420.13	
	$6,153,504.98	
Less: Dividends Declared	1,837,667.61	4,315,837.37
		$10,097,171.77

CONDENSED STATEMENT OF EARNINGS

FOR THE

YEAR ENDED DECEMBER 31, 1928

OPERATING PROFIT	$3,555,353.21
Add:	
Other Income	153,816.36
Total	$3,709,169.57
Less:	
Other Deductions	308,440.54
NET PROFIT before provision for Federal and State Taxes	$3,400,729.03
PROVISION for Federal and State Taxes (including prior years)	471,308.90
NET PROFIT FOR YEAR	$2,929,420.13

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

82 BEAVER STREET

NEW YORK

CABLE ADDRESS "ARTHYOUNG"
NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
DETROIT
LONDON, ENGLAND
PARIS, FRANCE

We have examined the books and accounting records of COMMERCIAL SOLVENTS CORPORATION for the year ended December 31, 1928 and have prepared therefrom the foregoing Balance Sheet and accompanying Condensed Statement of Earnings, and

WE HEREBY CERTIFY that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

ARTHUR YOUNG & CO.

New York,
January 21, 1929.

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ANNUAL REPORT

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TENTH ANNUAL REPORT

OF THE

COMMERCIAL SOLVENTS CORPORATION

YEAR ENDED DECEMBER 31, 1929

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COMMERCIAL SOLVENTS CORPORATION

GENERAL OFFICES
NEW YORK CENTRAL BUILDING
230 PARK AVENUE
NEW YORK

PLANTS
TERRE HAUTE, INDIANA
PEORIA, ILLINOIS
BALTIMORE, MD.

DIRECTORS

WILLIS H. BOOTH
CLEMENT R. FORD
DAVID M. GOODRICH
WILLIAM S. GRAY
WILLIAM E. S. GRISWOLD
HUNTINGTON JACKSON
EDWARD P. KEECH, JR.
HENRY LOCKHART, JR.
GEORGE M. MOFFETT
PHILIP G. MUMFORD
PHILIP L. REED
WILLIAM D. TICKNOR

OFFICERS

WILLIAM D. TICKNOR.....Chairman of the Board and President
PHILIP G. MUMFORD.....Vice-Chairman of the Board
THEODORE P. WALKER.....Executive Vice-President
WILLIAM A. BURTON.....Vice-President
CHARLES L. GABRIEL.....Vice-President
HENRY E. PERRY.....Vice-President
ARTHUR ORR.....Vice-President
THOMAS F. CARTY.....Treasurer
ALEXANDER R. BERGEN.....Secretary
EARL L. PANGBORN.....Comptroller
JOHN C. WOODRUFF.....Director of Research
AUGUSTUS P. KIMMIG.....Asst. Secy. and Asst. Treas.
WARREN W. BAGANZ.....Asst. Secy. and Asst. Treas.

STOCK TRANSFER AGENT

Guaranty Trust Company of New York
140 Broadway
New York

REGISTRAR OF STOCK

The Chase National Bank of the City of New York
Pine Street, corner of Nassau
New York

COMMERCIAL SOLVENTS CORPORATION

NEW YORK CENTRAL BUILDING
230 PARK AVENUE
NEW YORK

FEBRUARY 1, 1930.

To the Stockholders:

The Board of Directors submits herewith a report, consolidated balance sheet and statement of earnings for the fiscal year which ended December 31st, 1929.

In accordance with proceedings taken in October 1929 the Corporation's stock was split up on a basis of ten for one and by reason of such split up, the payment of stock dividends and the acquisition of Commercial Pigments Corporation the stock and scrip outstanding December 31, 1929 aggregated 2,434,863 shares. Since the stock split up, approximately 6,000 names have been added to the list of stockholders, a most gratifying result. For the benefit of the new stockholders, there is included in this report information relating to the Corporation's affairs in prior years.

For the first ten months of 1929 the Corporation's plants were operated at capacity and inventories steadily decreased. November and December showed the usual seasonal recession from the average of earlier months, which may have been somewhat augmented by the country wide financial readjustment then taking place.

Cash expenditures for construction during 1929 amounted to $468,351. These expenditures, which have maintained the Corporation's plants at their previous standard of operating efficiency, cover principally, additions to present equipment or replacements of worn out apparatus, except the following:

New Butyl Acetate Plant at Peoria..... $210,000.

This plant has developed an actual capacity of 550,000 gallons monthly and is an important and protective addition to plant facilities.

Addition to Methanol Plant at Peoria..... $90,000.

This added equipment has increased the methanol output 25% and the plant is now capable of utilizing the full present output of hydrogen gas with a factor of safety that insures continuity of operation.

New Laboratory Buildings and Equipment at Terre Haute..... $40,000.

The research Laboratories which have played an important part in the growth of the Corporation's business have been doubled in size and completely equipped to carry on the extensive program that has been undertaken.

The net profits for 1929, as shown on the earning statement, are arrived at after making full provision for depreciation and a substantial charge for obsolescence, as has been the custom in prior years. The charge for obsolescence constitutes a reserve against the possibility of expenditures for the replacement of machinery and equipment which may be hereafter necessitated by the rapid development in manufacturing practice.

Products during 1929 were sold at lower average prices than prevailed in 1928, in accordance with an established policy of voluntarily making, when warranted, reasonable price reductions. This has resulted in a larger volume of sales, broader distribution and improved earnings despite a smaller margin of profit per pound than in any previous year.

During 1929 cash dividends were declared in the amount of $1,957,855., of which $1,349,356. were paid during 1929 and $608,499. on January 1st of 1930.

Cash dividends paid in 1929 were at the rate of $8. per share per annum. The dividend declared and payable on January 1st, 1930 was at the rate of $1. per share per annum, which is equivalent to $10. per share per annum on the shares of stock outstanding prior to the split up.

Stock dividends were paid on April 1st and October 1st at the rate of two shares for each one hundred shares of stock, as it existed prior to the split up. The number of shares thus distributed, expressed in number of shares subsequent to the split up, was 89,663.

In October 1929 authority was given to acquire all of the issued and outstanding stock of Commercial Pigments Corporation, in exchange for certain shares of this Corporation's stock, on terms set forth in the circular addressed to stockholders under date of September 16, 1929. Pursuant to this authorization, all of such issued and outstanding stock was acquired on such terms.

Commercial Pigments Corporation operates a plant at Curtis Bay, Baltimore, Maryland, where it manufactures titanium dioxide under a process discovered by Dr. Joseph Blumenfeld, a well known French chemical engineer, United States patents to which process it owns.

Titanium dioxide is a high strength white pigment used chiefly in the manufacture of paints and lacquers and also in the manufacture of many other products.

Commercial Pigments Corporation owns a substantial interest in Travancore Minerals Company, Ltd., a British corporation owning in India extensive and valuable concessions to mine ilmenite, an iron titanium ore, which is the chief material entering into the production of titanium dioxide.

Commercial Pigments Corporation owns, in addition to the United States patents covering the Blumenfeld process, valuable patents in respect to the manufacture of titanium lithopone, of which titanium dioxide is a component part. In many cases customers of Commercial Pigments Corporation are also customers of this Corporation.

The activities of the various departments of Commercial Pigments Corporation have been merged with the corresponding departments of this Corporation to secure proper supervision, efficiency and economy of manufacturing.

The past three months have also been devoted to the installation of additional equipment and to formulating engineering plans, looking forward to future expansion.

To conform with the policy of the Corporation not to attribute on its books, any value to patents and other intangible assets, the acquisition of the Commercial Pigments Corporation stock is represented in the consolidated balance sheet by the sum of $933,567.10.

In May 1929, an illustrated brochure, describing the Corporation's plant operations and process, was published and distributed to stockholders of record for their information.

No attempt is made to predict the trend of business in 1930, but the success of the Corporation's business will be predicated upon the success of the business of the Corporation's customers, among whom are many of the most progressive and successful manufacturing corporations in the country.

How best to increase the number of the Corporation's products has been the subject of considerable study and research, as a policy of diversification is considered most desirable. The acquisition of Commercial Pigments Corporation was a first step in the Corporation's plans along these lines and, in the near future, it is expected that additional processes will be acquired either from others or through the research work conducted in the Corporation's laboratories.

The carrying through of this program will be greatly facilitated by the Corporation's strong cash position.

The Board desires to express its appreciation of the loyal efforts of the officers and employees throughout the year, to extend to the old stockholders its thanks for their continued support and cooperation and to welcome those new stockholders who receive the Corporation's report for the first time.

By order of the Board of Directors,

WILLIAM D. TICKNOR,
Chairman.

COMMERCIAL SOLVENTS CORPORATION

AND ITS SUBSIDIARY
COMMERCIAL PIGMENTS CORPORATION

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1929

ASSETS

CURRENT :		
Cash		$5,986,030.00
Accounts Receivable		763,931.86
Accrued Interest Receivable		9,014.35
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)		2,852,743.31
Total Current		$9,611,719.52
INVESTMENTS		86,508.50
FIXED ASSETS—Land, Buildings and Equipment, less reserve for depreciation		3,050,169.80
GOODWILL and Patents		1.00
DEFERRED CHARGES :		
Prepaid Insurance		209,811.17
Prepaid Royalties		128,561.90
Supplies Inventory		135,895.45
Miscellaneous		10,104.40
		$13,232,771.74

LIABILITIES

CURRENT :		
Accounts Payable		$273,219.76
Dividends Declared and Unpaid		608,499.00
Accrued Royalties, Wages, Federal Income Tax, etc		820,471.45
Total Current		$1,702,190.21
RESERVE FOR CONTINGENCIES		113,719.75
COMMON STOCK—NO PAR VALUE		
Authorized	3,000,000 shares	
Unissued	565,909 shares	
Outstanding	2,434,091 shares	5,569,898.80
Outstanding Scrip Equivalent to	772 shares	1,549.40
EARNED SURPLUS—		
January 1, 1929	$4,315,837.37	
Net Profits 1929	3,667,402.51	
	$7,983,239.88	
Less: Cash and Stock Dividends Declared	2,137,826.30	5,845,413.58
		$13,232,771.74

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE

YEAR ENDED DECEMBER 31, 1929

OPERATING PROFIT	$4,407,922.00
Add:	
Other Income	383,136.09
Total	$4,791,058.09
Less:	
Other Deductions	233,154.26
NET PROFIT before provision for Federal Taxes, etc	$4,557,903.83
PROVISION for Federal Taxes, Contingencies, Inventory Adjustments, etc	890,501.32
NET PROFIT FOR YEAR	$3,667,402.51

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

82 BEAVER STREET

NEW YORK

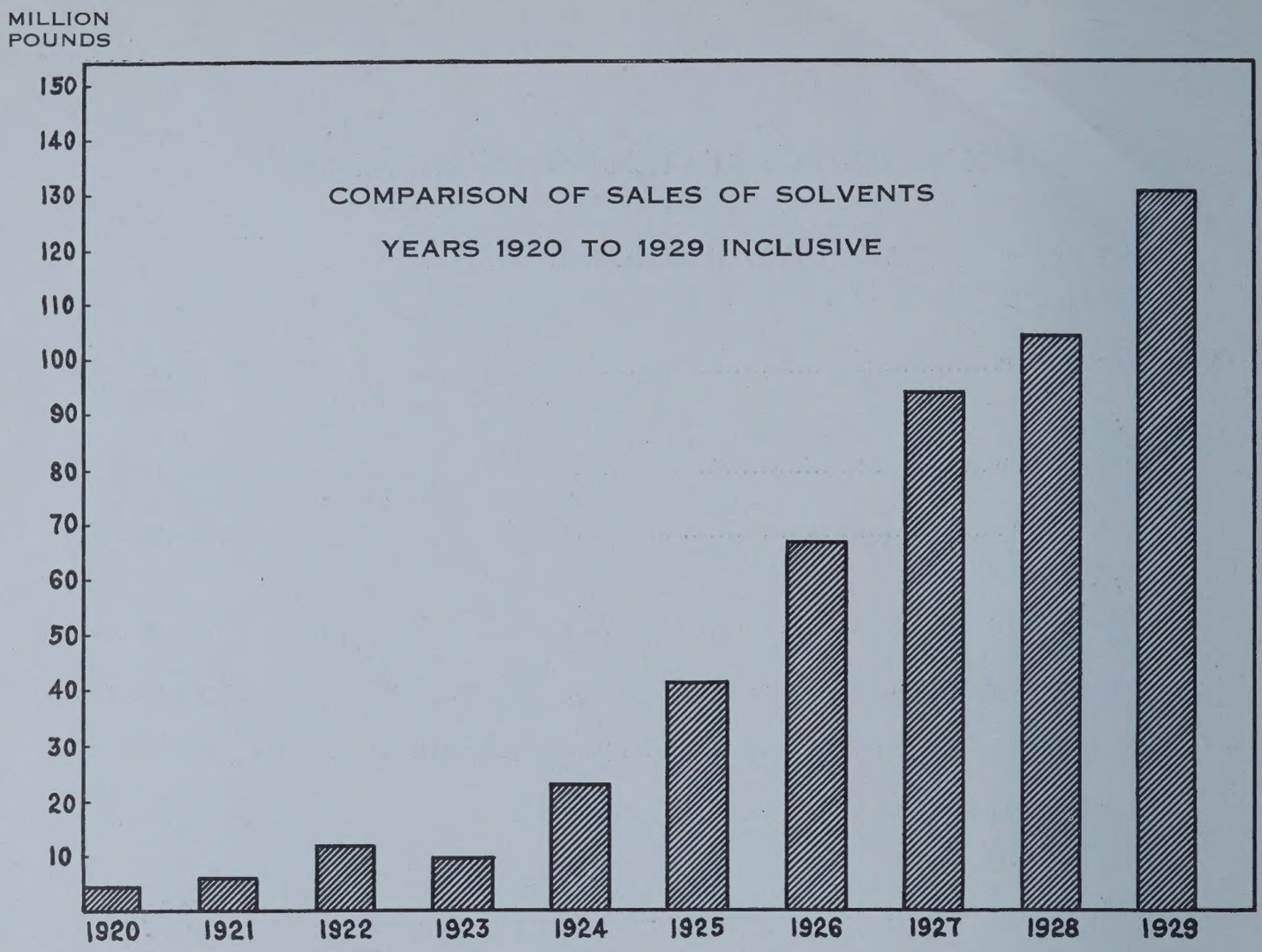
CABLE ADDRESS "ARTHYOUNG"
NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
DETROIT
LONDON, ENGLAND
PARIS, FRANCE

We have examined the books and accounting records of COMMERCIAL SOLVENTS CORPORATION AND SUBSIDIARY for the year ended December 31, 1929 and have prepared therefrom the foregoing Consolidated Balance Sheet and accompanying Condensed Statement of Earnings, and

WE HEREBY CERTIFY that, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

ARTHUR YOUNG & CO.

New York,
January 26, 1930.



A comparison of the sales of Milling Products for the years 1928 and 1929 is as follows:

	1928	1929
Corn Germ Meal.....	20,670,000 lbs.	38,552,000 lbs.
Corn Oil (Crude).....	3,458,000 "	8,417,000 "

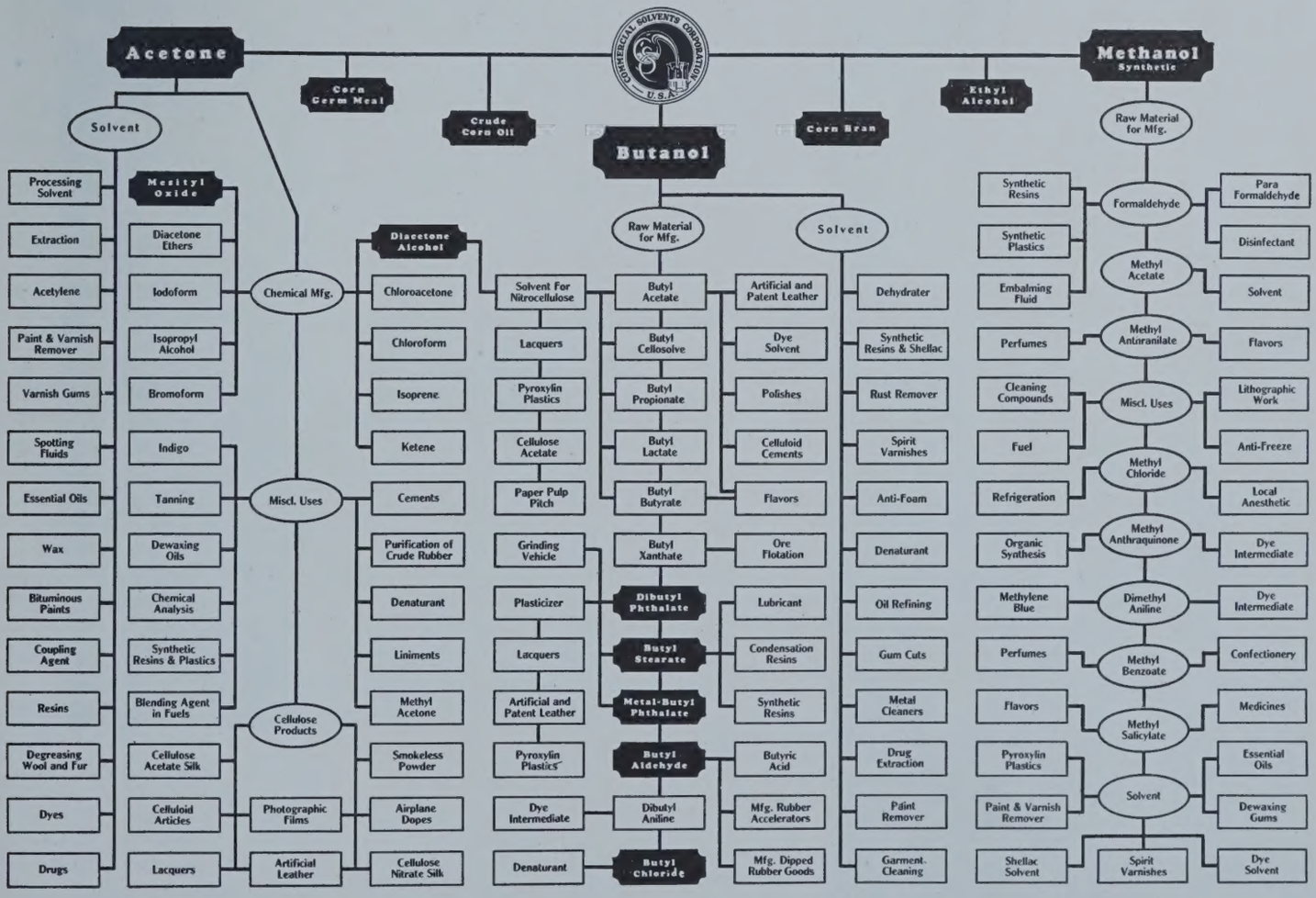
The Corporation's products, above compared, are based upon the fermentation of starch by bacteria, technically termed Clostridia Acelobutylicum. These bacteria were discovered by Dr. Chaim Weizmann, the eminent English chemist, and their use throughout the world is protected by patents owned by the Corporation.

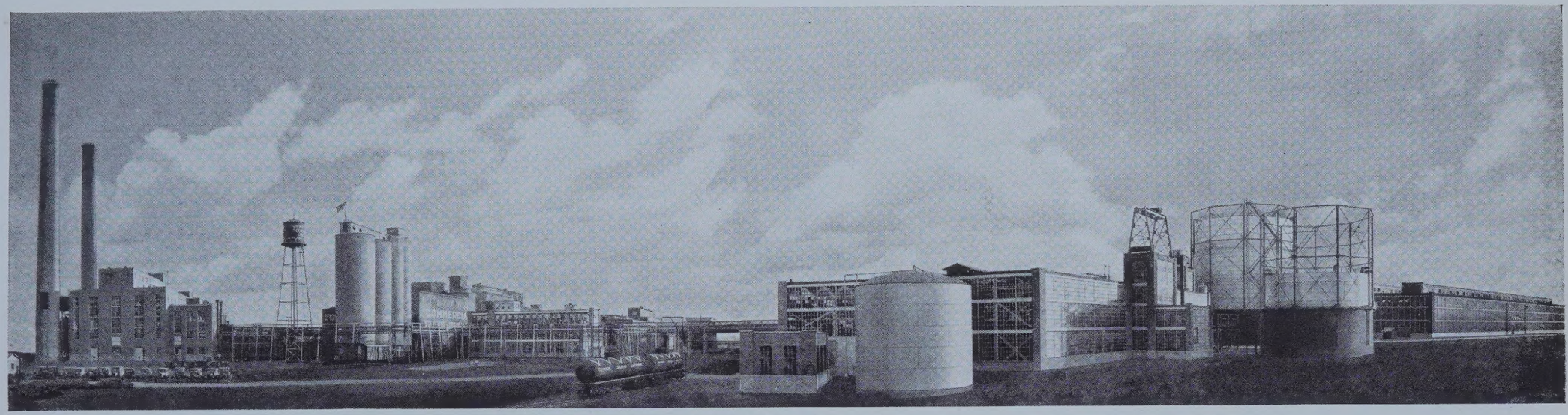
The Corporation owns and operates plants at Terre Haute, Indiana, and Peoria, Illinois, which contain one hundred and fifty fermentation vessels, each of 50,000

gallons capacity. In these vessels, butanol (normal butyl alcohol) and acetone are produced by the Weizmann bacteria acting on a mixture of starchy material and water known as mash which is rapidly converted by the bacteria into solvents. At the same time a small proportion of ethyl alcohol is formed along with butanol and acetone. During this process carbon dioxide and hydrogen gases are evolved in large quantities and are collected and transformed catalytically at high pressure into methanol.

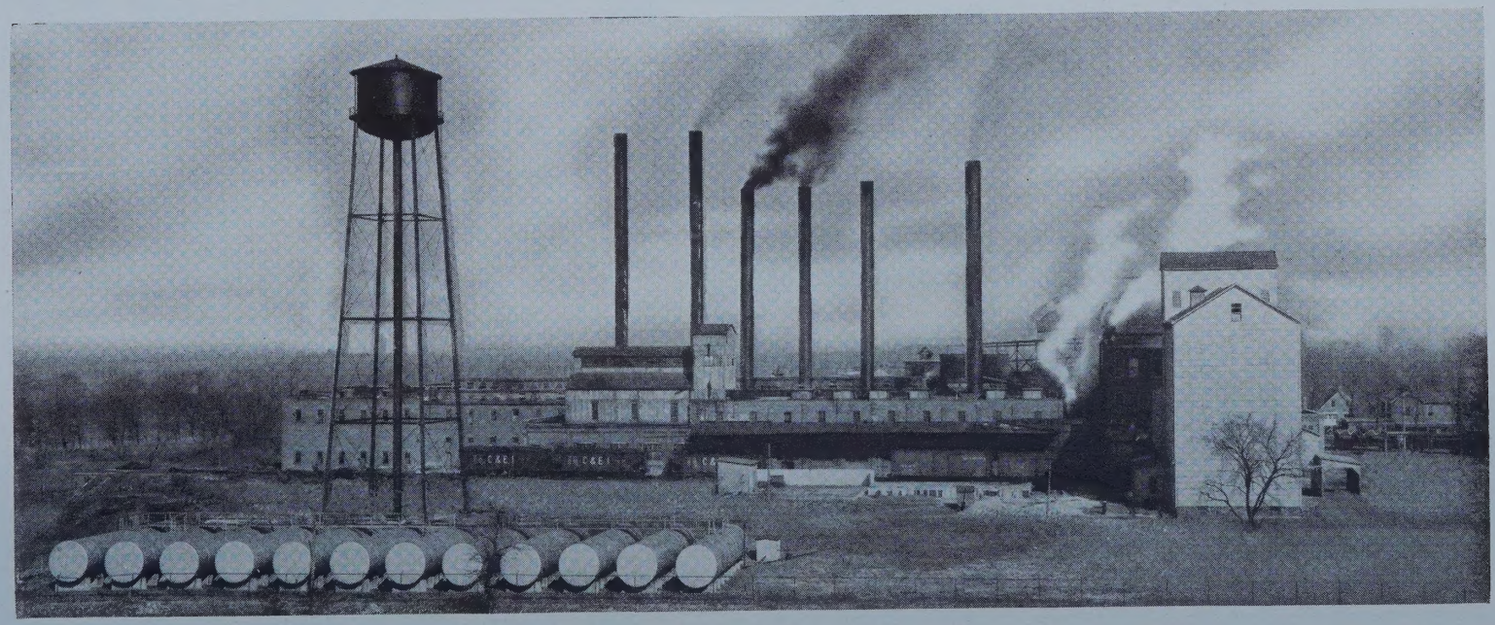
Corn is used as the chief form of starch for the fermentation, hence the location of these plants in the Corn Belt. Corn bran, corn oil and corn germ meal are produced in the process of milling the corn to obtain starch. Facilities for converting butanol into such products as butyl acetate, butyl aldehyde, dibutyl phthalate and butyl stearate and acetone into diacetone are also in use.

The following chart shows the more important uses for the products and derivatives of the fermentation process.





PEORIA, ILLINOIS, PLANT Corn Grinding Capacity 25,000 Bushels per Day



TERRE HAUTE, INDIANA, PLANT Corn Grinding Capacity 7,500 Bushels per Day

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ANNUAL REPORT

ELEVENTH ANNUAL REPORT

OF THE

COMMERCIAL SOLVENTS CORPORATION

YEAR ENDED DECEMBER 31, 1930

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COMMERCIAL SOLVENTS CORPORATION

GENERAL OFFICES
NEW YORK CENTRAL BUILDING
230 PARK AVENUE
NEW YORK

FOREIGN OFFICE
ALDWYCH HOUSE—ALDWYCH
LONDON, W. C. 2, ENGLAND

PLANTS
TERRE HAUTE, INDIANA
PEORIA, ILLINOIS

BALTIMORE, MD.

DIRECTORS

WILLIS H. BOOTH
CLEMENT R. FORD
DAVID M. GOODRICH
WILLIAM S. GRAY
WILLIAM E. S. GRISWOLD
EDWARD P. KEECH, JR.
HENRY LOCKHART, JR.
GEORGE M. MOFFETT
PHILIP G. MUMFORD
PHILIP L. REED
WILLIAM D. TICKNOR

OFFICERS

WILLIAM D. TICKNOR ..... *Chairman of the Board and President*
THEODORE P. WALKER ..... *Executive Vice-President*
THOMAS F. CARTY ..... *Treasurer*
ALEXANDER R. BERGEN ..... *Secretary*
EARL L. PANGBORN ..... *Comptroller*

LONDON OFFICE

WILLIAM A. BURTON ..... *Vice-President*

RESEARCH & DEVELOPMENT

CHARLES L. GABRIEL ..... *Vice-President*
JOHN C. WOODRUFF ..... *Director of Research*

SALES

ARTHUR ORR ..... *Vice-President*
WILLIAM MUELLER ..... *Sales Manager*
ORVILLE R. BRUNKOW ..... *Assistant Sales Manager*

PEORIA PLANT

HENRY E. PERRY ..... *Vice-President*

STOCK TRANSFER AGENT

Guaranty Trust Company of New York
140 Broadway
New York

REGISTRAR OF STOCK

The Chase National Bank of the City of New York
Pine Street, corner of Nassau
New York

COMMERCIAL SOLVENTS CORPORATION

NEW YORK CENTRAL BUILDING
230 PARK AVENUE
NEW YORK

FEBRUARY 2, 1931.

To the Stockholders:

The Board of Directors submits herewith a report, consolidated balance sheet and statement of earnings of the Corporation for the year which ended December 31, 1930.

The volume of the Corporation's business was adversely affected by the conditions which prevailed throughout the year and which similarly affected substantially all industry. Nevertheless, net profit for the year, after adequate charges for reserves, amounted to $2,717,000.69.

Operations were conducted on a scale commensurate with the demand for the Corporation's products but not below the limits imposed by economy of manufacture. Because commodity prices declined the Corporation had the benefit of exceptionally low raw material costs. Year-end inventories were consequently carried at the lowest unit prices in the Corporation's history.

The Corporation is in a position to benefit by a revival of normal demand for its products, although for 1931 lower selling prices are indicated, in line with the general trend. In this connection it may be well to repeat that it is an established policy of the Corporation to make price reductions, on its own initiative, when such reductions appear to be warranted. These reductions in the case of Butanol, the Corporation's principal product, have amounted to 40% in the aggregate. This policy has, in past years, resulted in a larger volume of sales and broader distribution and improved earnings despite a smaller margin of profit per unit.

Capital expenditures at the Peoria and Terre Haute plants of the Corporation during 1930 amounted to only $104,517.14 and were the smallest in years. They were made mainly for replacements and have maintained the plants in excellent condition. There should be no necessity for large expenditures for replacements during 1931.

The Corporation is a large user of acetic acid. During 1930 it made plans to construct at Peoria a plant for the manufacture of that product by a process which it had acquired abroad and perfected in its laboratories. Actual work on that plant was, however, deferred because of a sharp decline in the price of acetic acid which enabled the Corporation, for the time being, to purchase its requirements at a satisfactory price.

The market for the products of the Corporation's subsidiary, Commercial Pigments Corporation, increased in 1930 to an extent which made it advisable to double the capacity of the Baltimore plant of that corporation at a cost of approximately $690,000.00. The work was started in July and should be completed not later than March 1st, 1931. Although the prices of pigment products decreased during the year and plant operations were complicated by the new construction work, the operations of Commercial Pigments Corporation resulted in a profit for the month of August and for each month thereafter.

During 1930 there were paid, quarterly, cash dividends on the stock of the Corporation at the rate of $1. per share per year and aggregating $2,481,947.50. These dividends were paid on March 31st, June 30th, September 30th and December 31st respectively. Prior to 1930 it had been the custom to pay the dividend in respect to a quarterly period on the first day of the month following the end of the quarter. A dividend of $608,499.00 was accordingly paid on the stock of the Corporation on January 1, 1930 but that dividend is not included among those mentioned above because it was properly applicable to 1929 earnings.

A dividend in stock of the Corporation, at the rate of 2 shares for every 100 shares outstanding, was paid on March 31st, 1930 and a similar dividend was paid on September 30th, 1930. The stock thus distributed, including that called for by scrip certificates, amounted to 98,324 shares.

In appreciation of the loyal services rendered by officers and employees during past years and for the purpose of encouraging their efforts in future years, the Corporation expended $459,736.00 during 1930 in purchasing shares of its own stock for resale to its officers and employees on a deferred payment plan. This plan has not yet been put into operation. It is similar to plans heretofore adopted by many other corporations with gratifying results.

The fixed assets of the Corporation (not including assets of subsidiaries) consisting of land, buildings and equipment were written down on December 31, 1930 to the sum of $1. This necessitated a charge against surplus of $1,725,237.34.

On December 31st, 1930 the Corporation's net current assets were $8,095,-939.17, a gain of $186,409.86 for the year and the ratio of current assets to current liabilities was 11.04 to 1.

Despite the expenditures for the Baltimore plant a strong cash position has been maintained. There should be considered, in conjunction with the cash balance of $4,838,218.18, two other items which appear on the present balance sheet and which are substantially equivalent to cash. These are "Advances on Grain Contracts", $576,292.52 and "Common Stock of Corporation at Cost", $459,736.00. The total of these three items is $5,874,246.70.

The United States tariff, as revised during 1930, affords satisfactory protection to the products of the Corporation and to those of Commercial Pigments Corporation.

A substantial revenue for 1931 and subsequent years is expected to result from an arrangement made by the Corporation in 1930 with DryIce Corporation of America. An initial plant for the production of solid carbon dioxide has been constructed by the DryIce Corporation adjacent to the Peoria plant of the Corporation. The DryIce Corporation in its operation is utilizing the Corporation's by-product, carbon dioxide gas, of which the supply is considerably in excess of that taken at present.

The number of registered holders of the stock of the Corporation at the end of 1930 was 15,621, an increase of about 7,000 during the year.

The Board is deeply appreciative of the unfailing support and cooperation of its older stockholders and wishes to take this occasion to welcome those new stockholders to whom the Corporation's report will go for the first time.

By order of the Board of Directors,

WILLIAM D. TICKNOR,
Chairman.

COMMERCIAL SOLVENTS CORPORATION

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1930

ASSETS

CURRENT :			
Cash on Hand and in Banks			$4,838,218.18
Advances on Grain Contracts			576,292.52
Common Stock of this Corporation at cost (20,680 shares)			459,736.00
Accounts Receivable			462,325.07
Accrued Interest Receivable			16,750.78
Inventories of Raw Material, Work in Process and Finished Products (at the lower of cost or market)			2,549,044.74
Total Current			$8,902,367.29
INVESTMENTS			89,488.61
FIXED ASSETS: (Land, Buildings, Equipment and Construction in Progress)			
Commercial Solvents Corporation			1.00
Subsidiaries			1,236,987.43
GOODWILL and Patents			1.00
DEFERRED CHARGES :			
Prepaid Insurance			119,238.56
Prepaid Royalties			128,561.90
Supplies Inventory			136,521.45
Miscellaneous			32,340.71
			$10,645,507.95

LIABILITIES AND CAPITAL

CURRENT :			
Accounts Payable			$304,381.41
Accrued Royalties, Wages, Federal Income Tax, etc			502,046.71
Total Current			$806,428.12
COMMON STOCK—NO PAR VALUE			
Authorized	3,000,000 shares		
Unissued	470,275 shares		
Outstanding	2,529,725 shares		5,788,580.05
Outstanding Scrip Equivalent to	3,462 34/50 shares		7,854.68
EARNED SURPLUS—			
January 1, 1930		$5,845,413.58	
Net Profits 1930		2,717,000.69	
		$8,562,414.27	
Less:			
Dividends declared and paid:			
In Cash	$2,481,947.50		
In Stock	224,986.53		
	$2,706,934.03		
Special charge for reduction of Fixed Assets, Commercial Solvents Corporation.	1,725,237.34		
Other Surplus Charges	87,597.80	4,519,769.17	4,042,645.10
			$10,645,507.95

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE

YEAR ENDED DECEMBER 31, 1930

OPERATING PROFIT	$2,918,245.92
Add:	
Other Income	231,099.48
Total	$3,149,345.40
Less:	
Other Deductions	96,445.06
NET PROFIT before provision for Federal Taxes, etc	$3,052,900.34
PROVISION for Federal Taxes, Inventory Adjustments, etc	335,899.65
NET PROFIT FOR YEAR	$2,717,000.69

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

1 CEDAR STREET

NEW YORK

We have examined the books and accounting records of COMMERCIAL SOLVENTS CORPORATION AND SUBSIDIARIES for the year ended December 31, 1930 from which the foregoing Consolidated Balance Sheet and accompanying Condensed Statement of Earnings have been prepared. Inventories of Raw Material, Work in Process and Finished Products were certified to us as to quantities and condition by the Management and priced at the lower of cost or market, as ascertained by us, and

WE HEREBY CERTIFY that they are in accordance with the books and, in our opinion, they respectively reflect the true financial position of the Corporation at the date stated and the results of its operations for the year then ended.

ARTHUR YOUNG & CO.

New York,
January 23, 1931.

THE MANUFACTURING PLANTS of the Commercial Solvents Corporation are at Terre Haute, Indiana and Peoria, Illinois, in both of which places corn and coal, the principal raw materials, are available at favorable prices. The grinding capacity of the Terre Haute plant is 7500 bushels and that of the Peoria works 25,000 bushels of corn per day, a total grinding capacity of 11,000,000 bushels per year. In the process of grinding the corn, to obtain starch, commercially valuable by-products such as crude corn oil and cattle feed meal are produced.

A process of bacterial fermentation converts starch into the solvents—Butanol, acetone and ethyl alcohol. This process, invented by Dr. C. Weizmann, is protected by patents controlled by the Corporation.

During the fermentation of the starch large volumes of carbon dioxide and hydrogen gases are given off. These gases are transformed, at high pressures, into methanol (synthetic wood alcohol). Carbon dioxide gas in excess of the amount necessary for the manufacture of methanol is delivered by pipe-line to an adjacent plant where the purchaser converts it into solid carbon dioxide, a new refrigerant commonly known as "Dry-Ice".

The diagram on the opposite page shows the present products of the Corporation and their more important uses. The names of the products are printed in white on a black background and their uses, in regular black type, are shown beneath.

Butanol, the principal product, finds it largest use in the manufacture of lacquer—the finishing material for automobiles, furniture and many other articles. Acetone is consumed largely in the manufacture of artificial silk, photographic films and for dissolving the acetylene used in cutting and welding steel. Methanol is the basic material for the manufacture of formaldehyde, which is in turn necessary for the production of synthetic resins and other plastic materials. Butanol, acetone and methanol are the three primary products of the Corporation but each is converted into several other chemical compounds which are used in many different industries.

Although the Corporation's products are indispensable to important manufacturing processes, they rarely appear in articles which reach the consuming public. Lacquer coatings on automobiles, dresses made of artificial silk and motion picture films contain no Butanol or acetone as they reach the market, yet these solvent materials are used in their manufacture. Familiarity with the products of Commercial Solvents Corporation has, therefore, been largely restricted to industrialists and technicians.

The Corporation maintains extensive research laboratories for the purpose of widening the outlets for its existing products and for the development of new processes and materials. The development of a number of new products and derivatives are reaching the stage where they can be submitted to the consuming industries.

The offices in London are maintained to keep contact with the developments in chemical industry throughout Europe and to handle the Corporation's export sales.

Commercial Pigments Corporation, a wholly owned subsidiary of Commercial Solvents Corporation, operates a plant at Baltimore, Maryland for the production of titanium dioxide by the Blumenfeld process. The location of this plant is not only favorable for the distribution of finished products but also permits unloading, at its own dock, the principal raw material, Ilmenite, a titanium iron ore. Commercial Pigments Corporation owns a substantial interest in Travancore Minerals Company, Ltd., a British corporation owning in India extensive and valuable concessions to mine ilmenite. Titanium dioxide is a high strength white pigment used principally in the manufacture of paints, enamels, and lacquers. It is also finding increasing use in the manufacture of inks, linoleum, oilcloth, rubber, ceramics, soaps and cosmetics.

COMMERCIAL SOLVENTS CORPORATION

Products and their Uses

Acetone

- Acetylene Solvent
- Photographic Films
- Cellulose Acetate Silk
- Pyroxylin Plastics
- Liniments
- Cellulose Acetate
- Airplane Dopes
- Nitrocellulose Cements
- Paint Varnish Remover
- Dewaxing Oils
- Alcohol Denaturant
- Artificial Leather
- Synthetic Resins
- Smokeless Powder
- Extraction
- Drugs
- Chloroform
- Iodoform

Diacetone Alcohol

- Anti-Freeze
- Compression Fluids

Corn Oil / Corn Germ Meal

Butanol

- Lacquers
- Photographic Films
- Metal Cleaners
- Spirit Varnishes
- Artificial & Patent Leather
- Alcohol Denaturant
- Dye Solvent
- Drug Extraction
- Dehydrater
- Penetrating Oils
- Soldering Flux
- De-frother
- Rust Removers
- Synthetic Resins
- Dry Cleaning
- Butyl Propionate
- Butyl Xanthate
- Butyl Cellosolve

Butyl Aldehyde

- Rubber Accelerator

Butyl Acetate

- Lacquers

Dibutyl Phthalate

- Plasticizer

Butyl Chloride

- Alcohol Denaturant

Butyl Stearate

- Water-proofing Compounds

Butyl Lactate

- Brushing Lacquers

Dibutyl Tartrate

- Cellulose Acetate Lacquer

Butyl Acetyl Ricinoleate

- Emulsification Agent

Ethyl Alcohol / Carbon Dioxide

Methanol

- Formaldehyde
- Methyl Salicylate
- Synthetic Resins
- Paint Varnish Remover
- Embalming Fluid
- Dye Solvent
- Anti-Freeze
- Alcohol Denaturant
- Spirit Varnishes
- Dewaxing Gums
- Essential Oil Solvent
- Dry Cleaning
- Lithographic Work
- Pyroxylin Plastics
- Methyl Anthranilate
- Methyl Chloride
- Dimethyl Aniline
- Dimethyl Amine

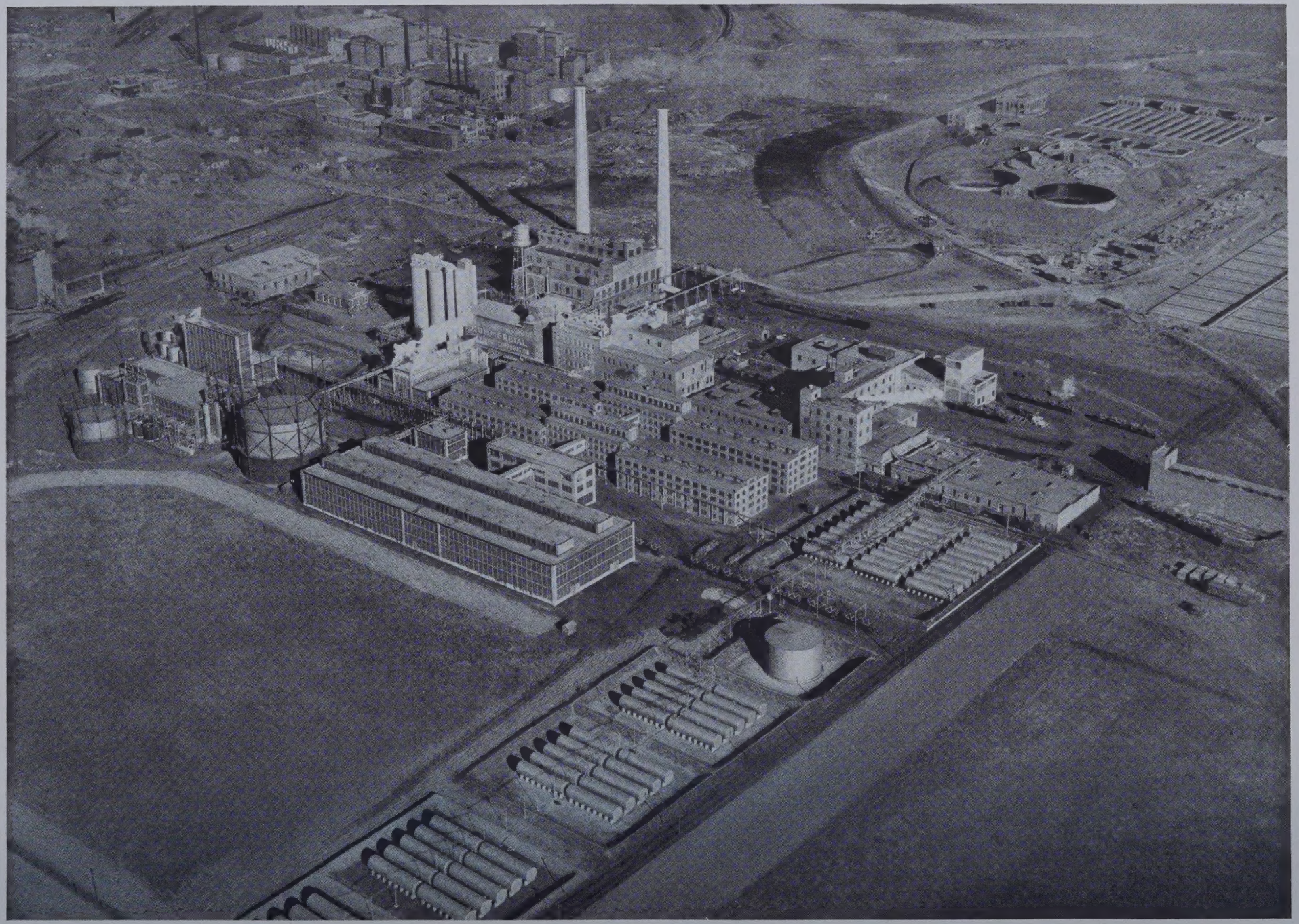
Monomethyl-amine

- Dehairing Hides
- Dye Intermediate

COMMERCIAL PIGMENTS CORPORATION

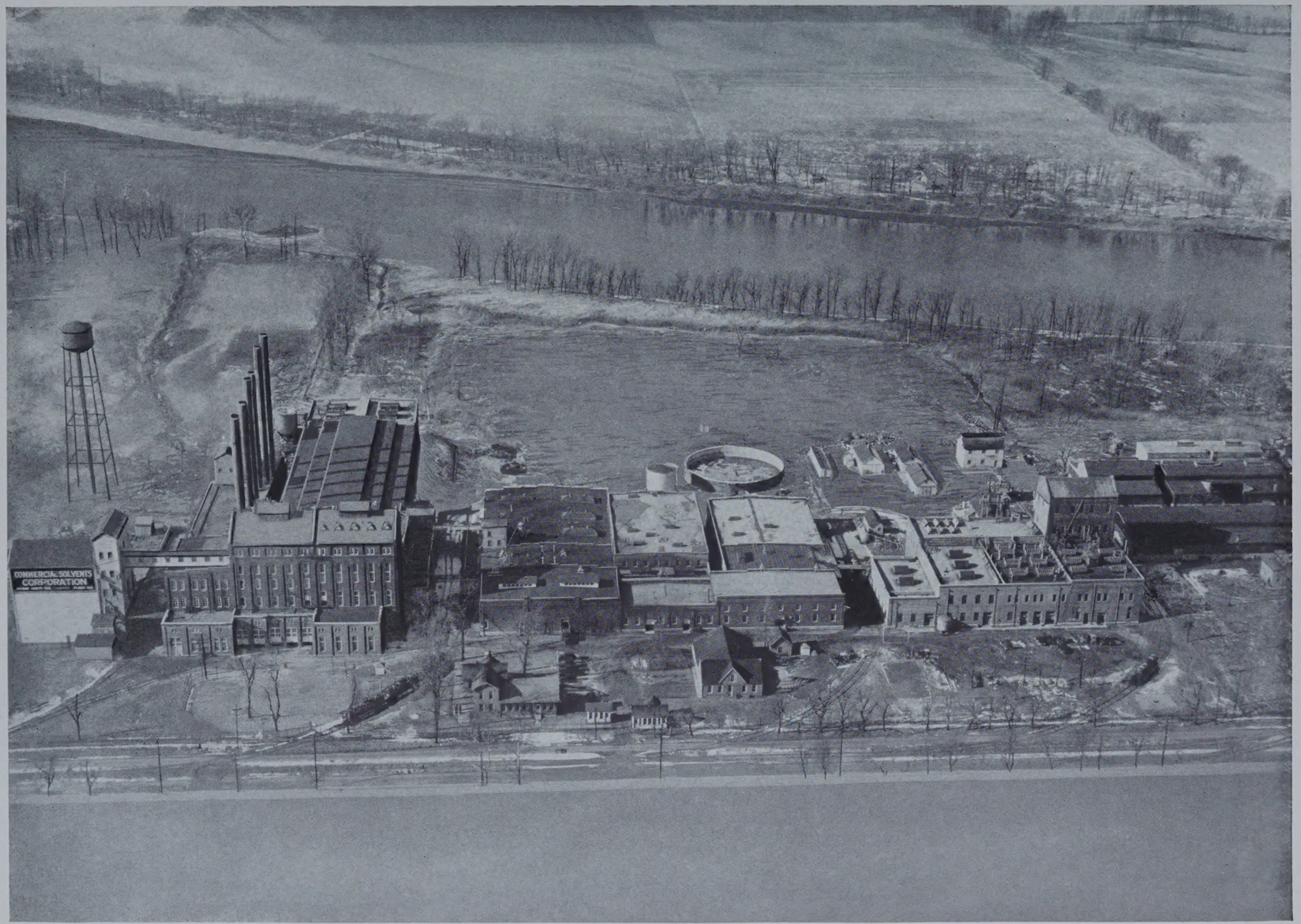
Titanium Dioxide

- Ceramics
- Lacquers
- Reinforced Lithopones
- Pigment
- Oil Paints
- Leather
- Textiles



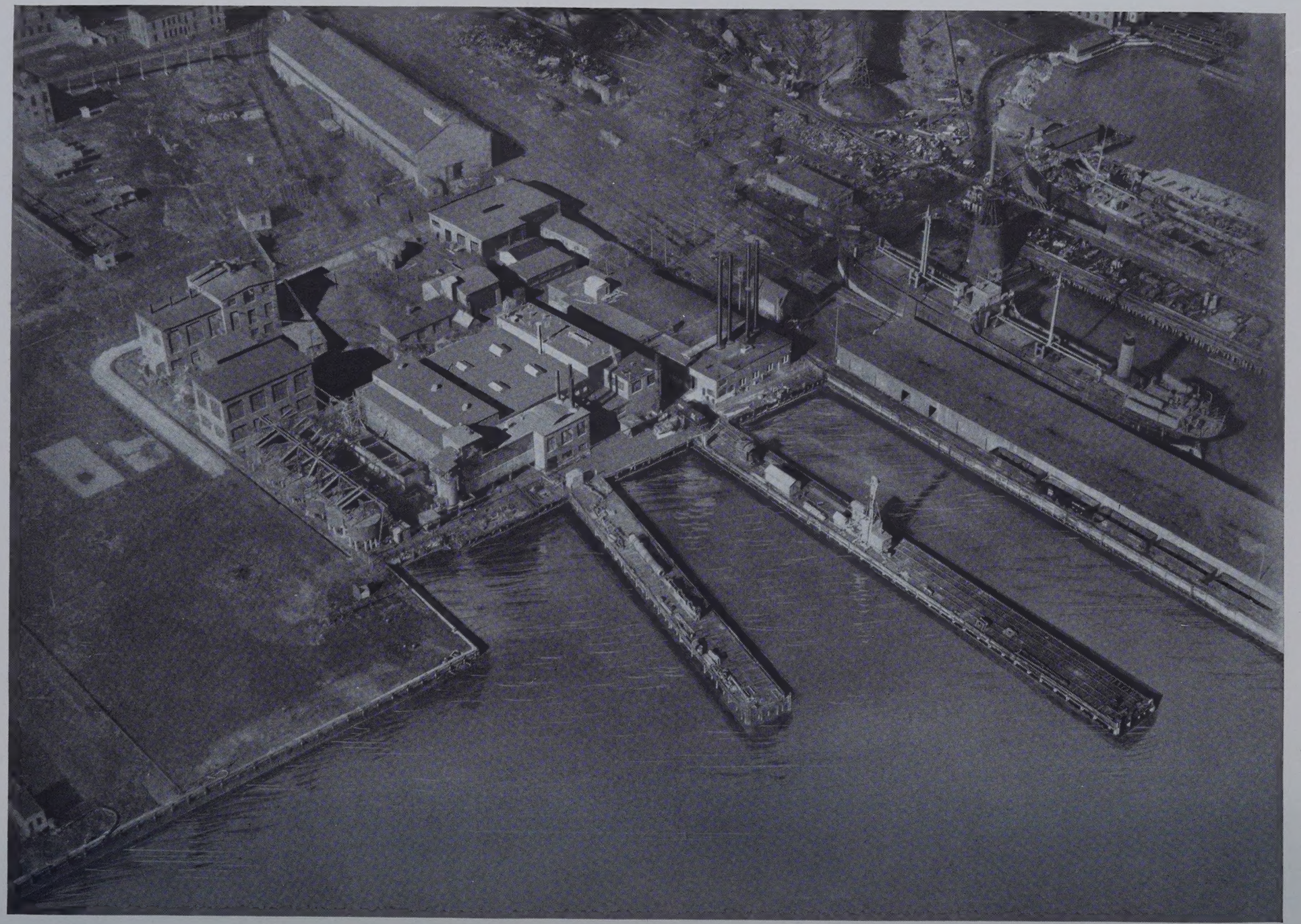
COMMERCIAL SOLVENTS CORPORATION—PEORIA, ILLINOIS, PLANT.

Fairchild Aerial Surveys, Inc.



COMMERCIAL SOLVENTS CORPORATION—TERRE HAUTE, INDIANA, PLANT.

Fairchild Aerial Surveys, Inc.



COMMERCIAL PIGMENTS CORPORATION—BALTIMORE, MARYLAND, PLANT.

Fairchild Aerial Surveys, Inc.

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